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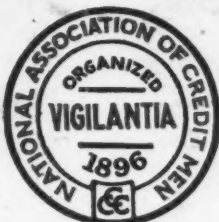
Vol. XXII, No. 9

PRINCETON, N. J.

THE

October, 1920

CREDIT MONTHLY

The National  *Magazine of*

BUSINESS FUNDAMENTALS

Taxation and the Budget

*Democratic and Republican
Candidates' Attitude with a*

Special Message from Gov. James M. Cox

Prices and Their Trend

Canada's New Bankruptcy Act

Overhead Charges in Prosperity and Reaction

Published by the National
Association of Credit Men

25 cents - \$3 a year

IRVING NATIONAL BANK NEW YORK

Statement of Condition on September 8, 1920

Resources—

Cash in Vault and with Federal Reserve Bank	\$34,608,518.82	
Exchanges for Clearing House and due from other Banks	48,854,373.81	
Commercial Paper and Loans eligible for Rediscount with Federal Reserve Bank	119,354,501.63	\$202,817,394.26
<i>Other Loans and Discounts</i>		
Call and Demand Loans	\$14,884,937.73	
Due within 30 days	10,062,676.37	
Due 30 to 90 days	20,665,397.76	
Due 90 to 180 days	43,455,994.47	
Due after 180 days	1,554,666.00	90,623,672.33
United States Obligations		6,006,729.66
Other Investments		6,819,381.02
Bank Buildings		489,928.00
Customers' Liability for Acceptances by this Bank and its Correspondents [anticipated \$1,411,269.30]		11,525,842.68
TOTAL RESOURCES		\$318,282,947.95

Liabilities—

Capital Stock	\$12,500,000.00
Surplus and Undivided Profits	10,651,339.13
Discount Collected but not Earned	1,650,929.23
Reserved for Taxes	1,376,900.64
Circulating Notes	2,302,250.00
Acceptances by this Bank and by Correspondents for its Account [after deducting \$2,050,858.34 held by Bank]	12,937,111.98
Due Federal Reserve Bank	29,000,000.00
Deposits	247,864,416.97
TOTAL LIABILITIES	\$318,282,947.95

ОСТО

THE CREDIT MONTHLY

A National Magazine of Business Fundamentals

Published at 41 Park Row, New York,
by the National Association of Credit Men

William Walker Orr, *Editor*

Rodman Gilder, *Managing Editor*

Vol. XXII

OCTOBER, 1920

No. 9

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FIRE PREVENTION DAY

OCTOBER 9TH



"AMERICA FORE"

By proclamation of September 7th, President Wilson calls on all of the states to observe October 9th as Fire Prevention Day. He urges upon the Governors of our States to request our citizens to plan "such instructive and educational exercises as shall bring before the people the seriousness and unhappy effects of present unnecessary fire waste and the need of their individual and collective efforts in conserving the natural and created resources of America."

15,000 of our men, women and children perish by fire and no less than \$350,000,000 in buildings, and foodstuffs and other created wealth is destroyed by flames in a single year.

American Agents have a high duty of citizenship to perform in assuming the leadership in fire prevention in their own communities. By practical suggestions, by active co-operation with property owners, by initiating the enactment of fire-prevention laws where lacking and by intelligent assistance in the enforcement of such laws, they can become of invaluable public service.

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Fallacy of Sales Tax

GOVERNOR COX is to be congratulated on the frank stand he takes in this issue of THE CREDIT MONTHLY on the perplexing tax question. Though we cannot assent to his program in its entirety we are pleased to be able to acquaint the credit world with the Governor's position.

We are in hearty accord with his opinion that the excess profits tax (which he has in a manner confused with the war profits tax) has outlived its usefulness and derives its sole justification from the emergency of war.

The substitute for this unjust and discriminatory tax suggested by the Governor, a tax on sales, in our opinion proposes a remedy nearly as bad as the disease.

The Governor calls it a "turnover tax" and says "it has the decided advantage, etc." He evidently means a retail sales tax.

The tax suggested by Governor Cox is open to three main objections:

(1) He exempts far too many classes. He applies it only to "large going concerns," though in the next paragraph he says that it "must be borne by consumers."

(2) He overlooks the fact that a man buying for his family of six will pay twice as much tax as a man buying for three.

(3) A sales tax is in direct contravention of the cardinal principle of taxation, namely, that taxes should be levied in proportion to ability to pay, and not in proportion to expenditures for necessities of existence.

Grappling with Overhead

CHART any active business, over the past four years, and it will be found that the line of overhead has been swinging steadily upward. Even prior to the war the items of overhead, the costs of merely conducting a business, could hardly be prevented from going into higher percentages; but with war's inflation, there could scarcely be any pretense of restraining the tendency.

Obviously we have here a difficult situation, for overhead items are not easily scaled down. Radical cuts mean, perhaps, serious changes in policy that the heads of the business are ill-disposed to adopt; yet in many cases overhead has been so geared to high speed business that a shift to low will be necessary for safety.

It is a situation that cannot be glossed over. Bank men realize this and are taking it into serious consideration in measuring risks with new and old accounts. Overhead, now out of hand, must be firmly controlled, and those responsible will find that nothing helps so much as a carefully studied budget which sets a mark for each item of overhead.

The budget, if carefully worked out, is the substitute for the guess and grantors of credit, as leaders in business service, should encourage the budget habit.

THE CREDIT MONTHLY will present in its next issue a brief article on business budgets,—written by one who has specialized for years in them,—and will be glad to hear from readers on the subject.

The Business Man and the Election

By W. F. H. Koelsch
President of the National Association
of Credit Men

MORE than the ordinary political considerations are likely to arouse among business men generally the need for earnest participation in the general election this fall. It has frequently been said, and often without reason, that business men do not assume their responsibilities as voters. Unless all signs fail this criticism will not be in order this year, so far as the male of the species is concerned. In the judgment of many keen observers of public affairs, there is a great danger that indifference upon the part of many women, counted upon as voters for the first time, will cause the political managers much concern. It would seem that there is an opportunity here for the business man to point out to the new women voters of his own household, the importance of going to the polls, not to exercise a right, but to discharge a solemn and necessary duty. The many economic problems involved in the issues of the national elections this year should be brought home with a business-like appeal. Following this line of thought, it is to be noted that men of business training who are in a position to retire from active participation in business affairs, can render a distinct service to the community by taking an active part in so-called "practical politics." An increasing number of business men in Congress would be a long step in the direction of better government.



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THE CREDIT MONTHLY

VOL. XXII

OCTOBER, 1920

NO. 9

National Association of Credit Men Re-Dedicated to Nation's Service

By J. H. Tregoe

Secretary-Treasurer National Association of Credit Men

THE Board of Directors, at its annual meeting, held in September at Atlantic City, sounded a call to the credit men of the nation to dedicate themselves anew to their various tasks and through them work with all their might for the strengthening of the nation and the upbuilding of a splendid commerce such as will win the admiration and respect of men everywhere.

The Board stressed earnestly the fact that the wants of the nation should be taken deeply to heart to-day by business men who by word and act must demonstrate unswerving loyalty to the constitution and keep the nation from wandering away from those traditions that have made us a great nation.

The Board adopted the following resolution at its opening meeting, and the thought here presented had a marked influence over all the succeeding sessions:

SINCE the meeting of the officers and directors of the National Association of Credit Men, held just twelve months ago, the world has been confronted with many perplexing economic problems.

Peace and quietness did not come with the signing of the Armistice. Disturbance has been the rule throughout the world. The forces of disorder and unrest are uncontrolled.

Looking upon all this with an observing and fearful eye, we crave eagerly the coming of peace and restoration of order, that the enlightened nations of the world may pursue the inevitable task of readjustment and men and women may be privileged to work out their destinies in happiness and prosperity.

Within our own nation, feeling as it has the disturbing factors which are agitating the world, we would register the firm belief that nothing is so badly needed for the quieting of

unrest as a sincere re-consecration to the traditions of the nation and the constitution upon which they rest. We must have a country of constitution lovers, fully persuaded that we are successfully working out in the western hemisphere a wonderful experiment in democracy. We must have a country of men and women willing if need be to die in order that democracy shall be handed down to our children to bless them even more than it has blessed us. Disquietude and disloyalty will give way as we hold ourselves fully resolved to give our best devotion to the higher purposes of the Creator.

We cannot shirk our responsibilities, nor is it the spirit of America to do so. We shall be true to them. With an eye single to the great call of the nation for intense loyalty and a belief in things ideal and spiritual, we here dedicate ourselves in all sincerity to the nation's service.

Observations in Europe

By James Heckscher

Vice-Pres., Irving National Bank, New York

ENGLAND is now going through one of the most trying periods of her history, both from a political and a financial standpoint. The extremists of the labor party are striving for political control through direct action. The coal strike is a menace to British industrial prosperity. If it goes into full effect a few days may see industry in that country paralyzed and transportation virtually at a standstill, and the process of her recovery from the effects of the war retarded for months.

At present the Government is collecting a heavy duty on all coal exported from England. The miners want to divert this premium from the government to increase their wages and to reduce the cost of coal to the domestic consumer. If this were done, the public would get cheaper coal but would have to pay an equivalent amount in some form of taxation, as the government needs all the revenue it can raise to carry its war debts. Public opinion is strongly opposed to the strike and most of the people feel that the demands of the miners are unjustified, as their wages have been increased since 1914 more than the wages of any other class of labor in England. The government is prepared to resist the strike with vigor, but it is hoped that a compromise may be reached, perhaps through the efforts of other unions.

The strike threat has had a considerable influence on the value of the pound sterling in foreign markets. Coal importers, as soon as the strike vote was taken, arranged to purchase exchange in New York against the contingency that they should be compelled to buy heavily from us.

Credit in England, as nearly everywhere, is dear and difficult to obtain, even for legitimate enterprises. This is due in part to the fact that England has made heavy shipments of merchandise to Europe, payment for which has not yet been made, and in part to the increased cost of raw materials and wages. Nevertheless, the English are working with determination and influential bankers believe that conditions will adjust themselves without serious disturbance.

In Norway, Sweden, Denmark and France progress toward the

restoration of normal conditions can be observed. Nevertheless, there is apparent in business and financial circles a feeling that many obstacles still will have to be overcome and many problems solved before the situation assumes stability. In the meantime, severe trials will have to be undergone.

One good sign is that the people are beginning to look longer at their money before spending it. Bankers think the period of reckless personal expenditures is about at its end. As a consequence, a general drop in prices is looked for, though prices are still high.

Conditions have improved greatly in France since the beginning of the year. It must be remembered that in France the armistice did not end the war. Four million men were kept under arms until after the Treaty of Versailles was signed, in June, 1919, and industry was not resumed on anything like normal scale until near the end of that year. But the workers now have returned to their work and their spirit is good.

The crops are especially plentiful this year. The traveler is surprised to find, even in the regions around Lens, Rheims and Soissons, which were fought over during the war, fields of beautiful grain. Last year France had to import about 45 per cent. of her wheat supply. This year the imports will not exceed 15 per cent. The foreign trade situation also has shown a remarkable improvement. In the first seven months of 1919 the value of goods exported from France was only 4,700,000,000 francs. In the corresponding period of this year exports had risen to more than 12,000,000,000 francs, an improvement of nearly 8,000,000,000 francs. Imports increased in the same period only 2,700,000,000 francs.

It is estimated that the fortunes of individuals in France have increased from 200 to 300 per cent. since before the war. Men engaged in industry and merchants made large profits, and accumulated reserves which have put them in position to work on a large scale now.

Great strides have been made in the restoration of the war zones. Seventy-seven per cent. of the manufactures which existed in the territory devastated during the war have

resumed work. Everywhere in these regions new houses of wood and brick are being rebuilt along the lines of the old villages and towns, and these show the will of the people to take up again their life of the period before the war.

The principal financial problem in France now is that of the government. The people have money, but the government is poor. It has a heavy floating debt which must be liquidated, and the method by which this problem is to be solved has not yet been decided upon. The French still expect Germany to pay a large reparation indemnity, and if this expectation is realized the financial outlook may be expected to improve.

Conditions in Sweden are particularly good. Sweden has reaped profits from the high prices prevailing for paper, and from her heavy exports of iron ore. Farming is highly prosperous and the people are energetically at work. The Danes are glad to have Schleswig. There is a big potato crop in Schleswig this year, some of which will be exported to this country, and this should tend to improve the Danish exchange situation. They believe the worst of their post-war difficulties are past.

Norway is overstocked with merchandise which it bought for Central European countries, and for which it has not been able to find an outlet. Exchange is against the country, in part because shipping men contracted for a large tonnage for which they now have to make payment. They have been trying to cancel some of these contracts, and the British, with whom most of the contracts were placed, naturally are raising objections. Norway hopes for a resumption of trade with Russia which would call for more ships and also would furnish a market for surplus stocks and merchandise.

Opinions as to conditions in Germany from bankers and business men in other countries are contradictory.

It seems to be the general opinion abroad that Bolshevism will not spread to any great extent, that while there may be sporadic outbreaks and disturbances of more or less seriousness in one place or another for a number of years, the menace will be confined more or less to the territory it now occupies.

Canada's New Bankruptcy Act

Based in Part upon that of the U. S., but with Many Other Features

By Joseph F. Heffron

Gen. Mgr., Macbeth-Evans Glass Co., Ltd., Toronto, Canada

ON the 1st of July there came into force in the Dominion of Canada a new Bankruptcy Act, which is generally conceded by authorities, one of the most satisfactory, expeditious and economical pieces of business legislation in the British Empire.

Before the passage of this act, the relationship as between debtors and creditors in Canada had been very unsatisfactory.

At the time the Confederation of the Dominion of Canada took place (July 1, 1867) the Constitution of Canada, known as the British North America Act, provided that insolvency was a matter to come within the exclusive jurisdiction of the Dominion or Federal Parliament. But as the central governing body never gave serious attention to the question until the present act was passed, the various provinces of the Dominion enacted at various times half measures calculated to deal with the subject, and generally known as Creditor's Trust Deeds Acts. In other words, each province or state found it necessary, in the face of the inactivity of the central governing body, to attempt to deal with the problem in its own way.

In drafting their provincial acts, the provinces were obliged to keep in mind the fact that they could not constitutionally deal with the problem of insolvency. They therefore carefully avoided any decisive legislation on the subject, all measures dealing with the matter being of necessity antiquated and limited in their operation.

THE CREDITOR'S TRUST DEEDS ACTS

While under the old acts any person, insolvent or not, could make an assignment of his assets for the benefit of his creditors, it worked out in practice that no one made such assignments except an insolvent. Under the old acts no one could be forced to make an assignment for the benefit of his creditors, and an insolvent who made an assignment was not able to secure permanent relief even if he did so, but was obliged to pay his creditors in full if at any future time in his life he was able to discharge such debts, except of

course as he might at a later time invoke defenses by means of the Statutes of Limitations.

Needless to say, the results obtained under such conditions were not satisfactory, either to the debtor or creditors, as nothing more was accomplished than equable and rat-

Know the Bankruptcy Law!

IN reading this review, it is suggested that the Canadian provisions be read alongside of and compared with the provisions of the Federal Bankruptcy Law, a full summary of which will be found in *The Credit Man's Diary*.

Familiarity with bankruptcy legislation is a first demand upon credit grantors.

able distribution of such assets as at any particular time might be in the possession of the insolvent, with the consequent diminution of legal process against the insolvent. It was not that any legal right to proceed against him was denied, but such procedure under such circumstances brought about no useful results.

THE NEW BANKRUPTCY ACT

The new Bankruptcy Act changes the situation in these respects and provides more humane and human-like methods of dealing with persons who have become insolvent. The Act includes in its scope all corporations, with the exception of banks, railways, trust and insurance companies, and all persons except farmers and wage earners receiving less than fifteen hundred dollars per year.

It provides that any debtor who commits what is termed "an act of bankruptcy," leaves himself open to attack by any creditor or creditors to whom he owes a sum of \$500 or

over, the attack being made by way of a petition which such creditor or creditors may take to a Bankruptcy Court for a receiving order under the act, and for a declaration by the court that such an individual or corporation is a bankrupt.

When such a petition has been heard, the act provides that if the judge or court is satisfied that the debtor is insolvent and has committed an act of bankruptcy, the debtor may be declared a bankrupt and the court must then appoint an official trustee to whom forthwith all the assets of the bankrupt pass.

ACT OF BANKRUPTCY

The new Bankruptcy Act states explicitly the various things that constitute an act of bankruptcy on the part of a debtor laying him open to the invocation of such a serious proceeding as has been outlined.

Any one of the following eight things are mentioned in the Act as being sufficient to constitute an act of bankruptcy on the part of a debtor:

1. If he makes an assignment for the benefit of creditors.
2. If he makes a fraudulent conveyance of his property.
3. If he creates a charge on property which would be void as a fraudulent preference.
4. If he absconds with intent to defeat his creditors.
5. If he permits an execution in the sheriff's hands to remain unsatisfied subject to certain limitations.
6. If he exhibits to any meeting of his creditors a statement of his assets and liabilities which shows that he is insolvent.
7. If he assigns, removes, secretes or disposes of any of his goods with intent to defraud, defeat or delay any of his creditors.
8. If he makes a sale in bulk of his assets without complying with the Bulk Sales Act.

When the bankruptcy order has been handed down by the court the results for the bankrupt are serious, and his status as a citizen is materially changed.

He can no longer receive his mail or telegrams from the post office or the telegraph office, since the act provides that for three months the post office and telegraph companies must deliver the debtor's mail or telegrams to the official trustee. He

can no longer borrow any sum in excess of \$50 without notifying the party from whom the loan is made that he has been adjudged a bankrupt. If he does so he lays himself open to paying a fine and suffering a term of imprisonment. A further penalty is also provided that only appears when the time comes for him to obtain his discharge as a bankrupt, when he may find that the said act forms a bar, which can only be removed by a further term or period of time, during which he must suffer as a bankrupt. He can no longer engage in any trade or business under a name other than that under which he was adjudicated bankrupt, unless he discloses to all persons that name under which he was adjudicated bankrupt.

In addition to these there are a number of other handicaps placed upon his activities. He must present himself whenever required to the official trustee. He must attend his first meeting of creditors, and he must submit to examination and furnish his trustee fully and frankly with all particulars concerning his property and assets.

DISCHARGE FOR HONEST DEBTOR

The act provides for the eventual discharge of an honest debtor who has turned over his assets for the benefit of his creditors under specified conditions.

Trustees to be known as "authorized trustees" are to be appointed by the Governor-in-Council. Such trustees are required to furnish a general bond before acting in the capacity of trustee and are further required to furnish special bonds in each estate unless absolved from doing so by a vote of the creditors.

As before stated, when a receiving order has been granted against a debtor, the debtor's property immediately passes to and vests in the trustee named by the court, and in the case of a change of trustee, such property passes from trustee to trustee and vests in such trustee for the time being during his continuance in office, without any conveyance, assignment or transfer whatever.

DUTIES OF TRUSTEE

When a trustee has been appointed he may carry on the business of a debtor so far as may be necessary for the beneficial winding up of the estate, and may incur obligations and make advances for such purposes. It is provided that no trustee shall deposit any sum of money received by him as trustee into his private banking account.

Trustees may retain the lease for the property occupied by the debtor or they may assign the lease or sublet the premises for the unexpired

term of the lease. Rent is preferred in an amount not exceeding the value of the distrainable assets, and in any case not exceeding three months accrued due prior to the assignment, plus the costs of distress, if any. Accelerated rent under leases ranks upon the estate as an ordinary creditor, but not for more than three months.

Trustees must pay dividends promptly, not later than six months, and earlier if required to do so by inspectors, and thereafter when sufficient money is on hand to pay ten per cent. Unclaimed dividends are to be deposited with the Minister of Finance.

The remuneration of trustees is limited to 5 per cent of the cash receipts.

Any person who acts as trustee without having first provided the necessary bond, or who fails to observe any of the provisions of the act is guilty of an indictable offence and becomes liable to a fine not exceeding \$1,000 or to both such fine and imprisonment.

SECURED CREDITORS

Secured creditors, in cases where the trustee elects to take over the security at the valuation placed upon it by the creditors, are not entitled, as heretofore, to an extra 10 per cent.

One section of the act provides that a debtor desiring to make a proposal for a composition of his debts and extension of time, on a scheme of arrangement of his affairs, may do so through the medium of the act, but without actually going into bankruptcy. A meeting of creditors called by an authorized trustee under the provisions of this section may, by a majority vote, approve such composition, extension or settlement, and the minority is bound thereby after the court has approved of the resolution adopted by the meeting.

CLAIMS BY RELATIVES

Claims by husband or wife, for wages, money or other property lent to the debtor are not entitled to claim upon the estate until all of the creditors have been paid in full. Claims for wages, exceeding three months, by father, son, daughter, mother, brother, sister, uncle, or aunt, are not to be allowed until all other claims have been paid.

In addition to the above, no officer, director, or shareholder of an insolvent corporation is entitled to claim wages exceeding three months until all other claims have been paid.

MARRIAGE CONTRACTS

In Canada, in the Province of Quebec, some old French laws which were guaranteed to the inhabitants when the British wrested Canada

from the French Crown, have heretofore presented a very formidable barrier to the credit man, especially when a concern located there went into liquidation. Among these are what is known as a "marriage contract," by which the wife has a prior claim to the debtor's property.

Under the new act all marriage contracts for the future payment of money to the wife or husband, or to the children of the debtor, where the debtor had not at the date of the marriage an estate or interest in the property assigned, shall be postponed until all the claims of other creditors have been satisfied, unless the contract has been executed previous to the assignment, and even if executed, shall be regarded as void if the payment or transfer has been made within six months of the assignment.

Banks are required to notify the trustee of the existence of any balances to the creditor.

Unliquidated damages arising otherwise than by reason of a contract, promise or breach of trust shall be considered as not provable.

DISCHARGE FROM BANKRUPTCY

To obtain a discharge from bankruptcy and to be relieved from further liability to his creditors the debtor must first secure a certificate from his trustee specifying the names and addresses of his creditors. After the necessary notice has been given to these parties the matter is brought into court and the trustee appearing before the judge is required to present a statement of the conduct of the affairs of the bankrupt, this together with such other material as the court may decide it requires, may be used by the judge in his decision as to whether or not the bankrupt shall be relieved from all his former debts and liabilities.

In Great Britain, where bankruptcy has been thoroughly tried out, all recent judicial decisions indicate that where the proceedings have been commenced, and no good purpose can be obtained, or benefit derived to the creditors by keeping a man in bankruptcy, he should be discharged, on the ground that it is not in the interest of the state to discourage a bankrupt by holding him down or by keeping the debtor subject to conditions which impose on him so great a burden that he cannot hope to better his position.

The Bankruptcy Court has, however, wide and almost absolute discretionary powers within the limitations of the act. If for instance, it can be proven by anybody that in the course of the business history of the bankrupt, or during the period of his bankruptcy, he has committed any one or more of eleven different

things specifically mentioned in the act, the judge has no longer unlimited discretion, and must refuse the discharge of the bankrupt altogether, or may suspend the discharge for a period of not less than two years, or suspend it until a dividend of not less than fifty cents on the dollar has been paid to the creditors, or attach to the discharge a condition that the bankrupt agree to allow a judgment to go against him for the amount of the unpaid balance of his debts in favor of the trustee, who is then required, at some future time, to collect the same from the future earnings of the bankrupt, distributing the same among the creditors.

THE CAUSES OF LIMITATION

The eleven specific facts referred to as limiting the power of a judge in giving the bankrupt unconditional discharge are as follows. The bankrupt may be refused such discharge if:

1. His assets do not equal fifty cents on the dollar of his unsecured creditors, unless such condition has arisen from circumstances over which he cannot justly be held responsible.
2. If he has kept no books of account.
3. If he has continued to trade after knowing himself to be insolvent.
4. If he is unable to account satisfactorily for loss of assets.
5. If his bankruptcy has been brought on or contributed to by rash or hazardous speculations or by unjustifiable extravagance in living, or by gambling or culpable neglect in business affairs.
6. and 7. If he has permitted frivolous or vexatious litigation to continue.
8. If he has made an undue or improper preference to some of his creditors.
9. If he has intentionally incurred liabilities with a view to making his assets equal fifty cents on the dollar of his unsecured creditors.
10. If he has been a former bankrupt.
11. If he has been guilty of a fraudulent breach of trust.

From the foregoing it will be seen that a man who now becomes insolvent in Canada is no longer a free agent, that he may be forced into bankruptcy by his creditors if they deem it advisable so to treat him.

It will be seen also that the honest man who has, by reason of circumstances beyond his control, become involved in a burden of debt beyond his power to pay, may, by acting fairly and squarely with his creditors, finally become relieved of his burden and have the opportunity of starting anew.

The new act eliminates to a great extent the dishonest debtor who in the past was able to carry on his predatory plans and schemes without any great fear of placing himself in the realm of the criminal courts. Under the new act such a person cannot continue to carry on business, for once such a person becomes a bankrupt, by reason of his business history, he cannot absolve himself

from the stigma that the conditions of the new act fasten upon him.

It will be apparent to every interested person who has followed this sketch thus far that the introduction of the new act cannot but be beneficial to the carrying on of the future business life in Canada.

Miss Leffler Corbett, Banker

PROMINENT among the Texas women who have made business a career is Miss Leffler Corbett, note teller in the Austin National Bank, a member of the Austin Association of Credit Men.

Miss Corbett was born and reared in Austin, and was no doubt the



LEFFLER CORBETT

youngest graduate the Austin High School ever had. She graduated in May at the age of thirteen. She entered the State University and later taught school. However, this work did not appeal to her and she took a business night course and studied to be a stenographer. Completing this course, she entered the Austin National Bank as stenographer. She studied to make herself useful and soon had knowledge of all departments of the banking business. Her eagerness and painstaking work won for her advancement and she was finally made an officer in the bank, being one of the first Texas women to hold a position of trust in a Texas bank.

Miss Corbett has always been interested in business and business

women. She organized the Business and Professional Women's Club of Austin, and served three years as president. This organization with only a handful of members has grown to 250 with its own club house on beautiful Lake Austin.

Miss Corbett has been the leading factor in building up this club, her one idea being to help other women to find the right kind of employment, and it has been her pleasure to find places for several hundred women in business. It has become an established fact that when Miss Corbett recommends a woman she is sure to fit into the place.

The interest she shows in every one and her business judgment has made her indispensable to the bank. She helps the woman who is timid, the country man and woman, new to the city ways, and gives advice where needed in money matters. Her interest reaches all classes, rich or poor, high or low.

President of the Texas Woman's Bank Association and on the board of the State Business and Professional Woman's Club, she has spoken at numerous business meetings throughout Texas, on the many problems that face the woman in business.

Asking for Property Statements

By Paul H. Struck

GEO. H. CLARKE & SON, MINNEAPOLIS

FOR some time I have been impressed with the necessity of persistently placing before the dealer the importance of the property statement. Much good work has been done along this line, of course, but we believe it should be continually "advertised" from different angles.

A great many dealers are offended by a request for a statement and frequently cancel orders by way of response. This, of course, is unreasonable, but we have it to contend with right along and often with men who are entirely responsible financially. Therefore, it has occurred to us that a single page leaflet, simply worded, could be used to advantage with correspondence when advisable. As a suggestion along this line, I submit the following:

DO NOT TAKE OFFENSE!

If your creditor asks you to furnish a property statement; it is an ordinary business requirement and your creditor is entitled to the information called for.

DO YOU intend to make up a statement the first of the year?

YOU SHOULD DO SO not only to enable you to co-operate properly with your creditor but to enable you to determine your own standing and progress.

Prices and Their Trend in the Construction Industry

A Review of the Cost of Building Materials, Labor and Credit Since the Armistice

By John Whyte, Ph.D.

Director of Research, National Association of Credit Men

THE construction industry is one of the basic industries of the country. Its course and trend furnish, therefore, a valuable commentary on the present economic situation. Three factors must be considered in an analysis of this industry: building materials, labor and credit.

BUILDING MATERIALS

At the opening of the building season in 1919 the index number of the lumber and building materials group was 162 (100 equals 1913), according to the Bureau of Labor Statistics. The metals and metals product group, which contains many commodities necessary for construction, was 152 (100 equals 1913). These two index numbers were the lowest of the groups listed in the Wholesale Price Groups of the Bureau of Labor Statistics. In other words, building materials in the Spring of 1919 were *cheap* as compared with other commodities; they were approximately 25 per cent. lower than all commodities.

In April, 1920, however, the index number of the lumber and building materials group had risen to 341, an increase of over 110 per cent. in one year. The average increase for other commodities for the same period was a little over 25 per cent. The index number of all commodities was 265 in April, 1920. The metals group advanced about 40 per cent. In other words, from being relatively a very cheap commodity, building materials became in one year *very high priced*.

REASONS FOR ABNORMAL INCREASE

The reasons for this abnormal increase can be found in the shortage of building materials, strong competitive bidding for all the available stock, the shortage and inefficiency of labor, high wages and transportation difficulties. These are more or less the same difficulties that caused the rise in other groups, but some of them, at least, existed in an aggravated form in this industry. The shortage of materials was initially

more serious than that existing in many other industries, and by the nature of the industry this shortage could be less readily relieved than elsewhere. The transportation difficulties were also accentuated. The order of the Interstate Commerce Commission, granting priority to coal shipments through the allocation of open top cars to the coal industry, hindered and threatened to stop entirely the movement of crushed stone, slag and other materials that are transported in such cars.

TRENDS AND REASONS FOR DECLINE

The index number of building materials was 337 for June, four points below that of April, a drop of a little over one per cent. The peak has been passed. In the last few weeks there have been violent breaks in this group. Certain grades of lumber are reported 50 per cent. off in New York. Brick is reported 40 per cent. off in both New York and Detroit. Neither of these markets can be regarded as typical because of strongly modifying local factors, but they show a definite trend that cannot be explained entirely by local conditions, and the conclusion seems justified that a lower price level for these groups is in the making.

The reasons for this decline in prices are to be found in various factors: 1. The slump in other industries released labor for the building materials group, thus relieving the shortage in supply, increasing the efficiency of labor and thus reducing the unit cost. 2. The transportation situation showed a gradual improvement. 3. The rapidly mounting cost of building materials made further work prohibitive. Contracts could not be made and executed at the contract price, and the result was the stoppage of work and wholesale repudiation of contracts. The falling off in demand resulted in the accumulation of stocks and hence lower prices.

The wages of building trades labor have been greatly increased

over those existing in 1914. The latest figures are not yet available, but the increase is probably close to 100 per cent. A shortage of building trades labor has existed. Skilled mechanics were diverted from this group during the war and many have never returned. The shortage of labor resulted in a competitive demand for it, and hence in wages above the union scale in many instances. Lower efficiency was also in evidence. Strikes, however, were, during the present season, very few. Jurisdictional troubles were less frequent than is normally the case.

A. F. OF L. ON PRODUCTION

The slump in other industries has released labor for the building trades group. Competition in labor has resulted in increased efficiency. The disastrous results of lower efficiency have been brought home to the building trades group by the Building Trades Department of the American Federation of Labor in the following significant statement: "The wage earner is just as much responsible for the high cost of living as any other agency. If every worker doing physical labor would insist that production equal pre-war times there would soon be a reduction in the price of commodities. The higher wages go, and the more production falls off, the more the worker is going to be hurt." Labor costs in the construction industry are on the downward trend. Increased efficiency, reduction of wages from competitive wage scales to the minimum union wage scale will cause an appreciable drop in the unit cost of construction.

CREDIT

The most serious factor in the construction industry is credit. Building involves a long-time investment. Investors are loath to invest on a twenty year basis when they are in doubt as to the stability of the present level prices. In addition, the availability of tax free securities as well as of Government bonds draw-

ing over 6 per cent. has worked havoc with a market for 6 per cent. mortgages. Increases in the price of building materials and labor caused money to be increasingly difficult to obtain. In addition, the high price of money as a result of the tremendous demand for it threatened to make its use almost prohibitive in building purposes. To add to these difficulties, legislation curbing the increase in rents was enacted in some States and acted as a deterrent to investors and speculators.

To relieve this situation, particularly as it affects housing, various plans have been suggested, among them the exemption of mortgage loans from tax, and the provision of City or State funds for purposes of building,—against both of which serious objections can be raised.

GENERAL OUTLOOK

A reduction in prices of building materials will result, on the one hand, in the deferring of construction in the expectation of further reduction, but on the other hand it will effect a resumption in the construction which has been halted by rising prices. The temporary slump in certain industries will lessen the demand for industrial construction. The demand for housing, however, is a persistent one and with the lower price level, construction is sure to go forward in this field next spring with renewed vigor. Money is sure to be more available for housing purposes next year. It is not likely that prices in the building material group will feel any strong upward pull until next spring. In the meantime, forces operating for a general reduction will seem to be the determining factors in the situation.

Zephon Hits Seattle

Seattle.—F. A. Godfrey, of E. C. Klyce & Co., secretary of the Seattle association of Credit Men, in describing the recent visit to Seattle of C. D. West ("Zephon") manager of the Investigation and Prosecution Department of the National Association, writes that a special meeting of the association was held in the evening to give the members an opportunity to meet Mr. West and everybody was delighted with the manner in which he is handling his department. In spite of the warm weather, the hall was crowded; and everyone enthusiastic over the success that has been achieved in combating commercial fraud, and at the prospects for still closer co-operation between different parts of the country in the future.

Mr. West explained at length the new plan for raising funds for the department as provided in the amendment of the constitution which was adopted at the Atlantic City convention. He also gave many interesting accounts of what has already been done in bringing commercial crooks to justice.

How to Use Investigation and Prosecution Department

By C. D. West ("Zephon"), Mgr.

THE value of the Investigation and Prosecution Department of the National Association of Credit Men has been demonstrated since its organization several years ago. The preventive value of the Department really exceeds its correctional value, for as we have always contended, "the certainty rather than the severity of punishment is crime's greatest deterrent." But altogether the manner in which we have investigated suspicious cases and prosecuted, where sufficient evidence had been obtained, has been appreciated throughout the organization. At the Atlantic City Convention of the National Association of Credit Men, a permanent income was provided, which it will be our care to administer in the wisest and most effective way possible.

The increasing demands on the department have compelled the formulation of certain simple rules which we desire every member to understand and observe in order that the best possible work may be done. These rules are as follows:

RULES AND RECOMMENDATIONS TO CONTROL USING I. AND P. DEPT. BY LOCAL ASSOCIATIONS AND MEMBERS

1. The National Department for the investigation and prosecution of commercial fraud must have co-operation in order to produce the best results, and to give greater effect to its rules and plans, each local Association of Credit Men is urged to organize as a permanent feature of its activities an Investigation and Prosecution Department, or should have a Committee on Investigation and Prosecution for this definite purpose.

2. When a complaint arises within an Association city where a Department of Investigation and Prosecution is conducted by the local Association and the debtor resides in the same district, then the complaint must first be submitted to and its merits determined by the local Department. Should the case be accepted by the local Department, then the evidence and facts presented by the complainants upon which such action was taken shall be cited by them to the National Department, and should the case be accepted, then the two Departments, local and National, shall co-operate in an investigation and prosecution of the case, and upon a division of the expenses attached, according to the location of the indebtedness, or as may be agreed upon by the two Departments.

3. Should the complaint arise in a city where the local Association is operating merely a Committee of Investigation and Prosecution, then the evidence and facts in the case shall be presented by the complainant to the Committee, and by the local Committee cited to the National Department with its recommendations. In such an event, and where the evidence, facts and recommendations of the local Committee justify the action and the case is accepted, the National Department will undertake the further investigation and prosecution of the case, with such co-operation as the local Committee or the creditors may be able to furnish, and upon a division of the costs attached as may be agreed upon with the local Association or the complaining creditor.

4. Where the debtor does not reside or the cause of the complaint occur in the city or district of the complaining creditor, then the evidence and facts shall first be submitted to the local Department or Committee of the Association with which the complainant is Affiliated. Should the case be accepted by the local Department or approved by the local Committee, then it shall be cited with all the evidence, facts and recommendations as required in paragraph 3 to the National Department. If the case in such an event shall be accepted by the National Department and there should be available a Department or Committee at the location or in the district where the debtor resides or where the cause of the complaint occurred, then such local Department or Committee may be called upon for co-operation or to assume a leading part in the investigation and prosecution of the case. The co-operating Department or Committee will not be called upon to bear any of the costs attached unless there are creditors amongst the membership of the local Association, and the costs in such a situation shall be borne by the National Department, the complaining and other creditors as may be agreed upon.

5. Complaints from members not affiliated with local Associations and known as individual members of the National Association, shall be made direct to the National Department with the submission of the facts and evidence required by the rules of the Department. When such cases are accepted, the costs attached will be borne by the National Department and the complaining creditors, as may be agreed upon between them.

6. Complaints to the National Department either direct from members not affiliated with local Associations and known as individual members of the National Association, and from local Departments and local Committee must be attended with facts and evidence sufficient to justify the belief of fraud, and the determination by the National Department upon the evidence and facts submitted and whether they are sufficient to justify its action and the incurring of costs, shall rest solely with its manager and executive Committee.

7. Submitting a complaint in the proper form is one of the most important features in a successful conduct of the Department and interested creditors, local Departments and Committees must always bear in mind the difficulties attending the investigation and prosecution of commercial fraud, and remember there is a distinct difference between a breach of trust and a breach of the law. The creditor in submitting his complaint to a local Department or Committee or direct to the National Department when he is not affiliated with a local Association of Credit Men shall supply all the facts within his knowledge that bear upon the case, every bit of evidence within his possession that will furnish reasonable ground for believing a fraud has been attempted or perpetrated, and especially evidence of the following character:

(a) Should the debtor have made a statement of his affairs, then the original

statement must be submitted with the complaint.

(b) If direct representations bearing upon his affairs and other than in the form of a financial statement are received from the debtor, and which would be of assistance in a proper investigation and prosecution of the case, these representations in original form, or as recorded, should they have been made verbally, must be submitted with the complaint.

(c) Where a financial statement or representation of any character bearing upon his affairs was received from the debtor through the mails, then the envelope in which the statement or representations was contained should be attached as an important factor in determining whether or not the Postal Laws had been violated.

(d) Reports from mercantile agencies or from any source bearing upon the affairs and practices of the debtor, and which would assist in a proper determination of the case, shall be submitted.

(e) To the best possible extent, a list of the creditors with their addresses should accompany the complaint.

(f) A transcript of the complaining creditor's account and for a period not exceeding twelve months shall be submitted with the complaint.

(g) Should the account have been placed by the complaining creditor with an attorney or any action at all taken toward it, other than the complaint made to the local Department or local Committee, a statement of such action and all that has occurred therein shall be submitted with the complaint. Whatever evidence or material bearing upon the case in such an event has been filed with the attorney or other parties, the same shall be withdrawn by the complaining creditor and submitted with his complaint.

8. As the powers and abilities of the National Department may permit, at the request of a creditor or creditors, the investigation of a case will be undertaken at their expense, where the evidence submitted with the complaint does not appear sufficient to justify or warrant the Department undertaking it, according to the former rules.

9. To facilitate its work, a simple form has been provided for the filing of complaints which indicates clearly the character of information and the evidence desired by the Department.

10. The idea of the National Department is service, and it may be used by members for the obtaining of information on how suspicious cases should be handled, how evidence may be assembled, and to inquire into compositions and bankruptcy cases at the request of interested members, where the inquiries may be conducted by correspondence. This form of service is, of course, subject to limitation by the demands made upon the Department in the work for which it was primarily organized.

11. A member dissatisfied with the decision of the Manager and Executive Committee of the Department in any case may appeal to the President and Secretary of the National Association. The decision of the President and Secretary in such a case shall be final.

12. Complaining creditors will be required to sign an agreement when a case is undertaken by the National Department, that they will not accept compositions and offers of settlement, or in any way retire from a complete and thorough investigation and prosecution of the case.

NATIONAL I. AND P. COMMITTEE

F. C. Demmler, General Chairman Demmler Bros. Co., Pittsburgh, Pa.

EXECUTIVE MEMBERS

F. C. Demmler, Demmler Bros. Co., Pittsburgh, Pa.
 Freas B. Snyder, W. C. Hamilton & Sons, William Penn Post Office, Pa.
 Willard Haff, Wellington Sears & Co., New York, N. Y.
 Wm. F. Vosseler, R. C. Williams & Co., New York, N. Y.
 H. H. Humphrey, Brown, Durrell Co., Boston, Mass.
 H. V. Reed, The Root & McBride Co., Cleveland, Ohio.
 J. F. O'Keefe, E. J. Brach & Sons, Chicago, Ill.
 M. G. Rockhill, Belle Mead Sweets, Trenton, N. J.
 W. G. Woodworth, Bausch & Lomb Optical Co., Rochester, N. Y.
 W. F. McAvoy, McDowell, Pyle & Co., Baltimore, Md.

DISTRICT VICE-CHAIRMEN

DISTRICT No. 1

States—Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.
 H. H. Humphrey, Brown, Durrell Co., Boston, Mass.

DISTRICT No. 2

States—Connecticut, New Jersey and New York.
 J. Fred Braum, J. J. Hockenjos Co., Newark, N. J.

DISTRICT No. 3

States—Delaware, District of Columbia, Maryland, Pennsylvania, Virginia and West Virginia.
 E. P. Bailey, National Airoil Burner Co., Philadelphia, Pa.

DISTRICT No. 4

States—Kentucky, Ohio and Tennessee.
 Milton T. Plaut, The Plaut Co., Cincinnati, Ohio.

DISTRICT No. 5

States—Illinois, Indiana, Michigan and Wisconsin.
 J. F. O'Keefe, E. J. Brach & Sons, Chicago, Ill. Harry A. Eberline, Crowley Bros., Detroit, Mich.

DISTRICT No. 6

States—Arizona, Arkansas, Kansas, Louisiana, Missouri, New Mexico, Oklahoma and Texas.
 Brodie Hamilton, Rice-Stix Dry Goods Co., St. Louis, Mo.

DISTRICT No. 7

States—Alabama, Florida, Georgia, Mississippi, North Carolina and South Carolina.
 E. S. Papy, White Provision Co., Atlanta, Ga.

DISTRICT No. 8

States—Iowa, Minnesota, Nebraska, North Dakota and South Dakota.
 J. A. Hise, Western Grocer Mills, Marshalltown, Iowa. W. A. Van Heuklon, Lindsay Bros., Minneapolis, Minn.

DISTRICT No. 9

States—Colorado, Idaho, Montana, Utah and Wyoming.
 F. S. Walden, Strevell-Paterson Hardware Co., Salt Lake City, Utah.

DISTRICT No. 10

States—California, Nevada, Oregon and Washington.
 J. H. Newbauer, J. H. Newbauer & Co., San Francisco, Cal.

INDIVIDUAL MEMBERS

M. G. Rockhill, Belle Mead Sweets, Trenton, N. J.

THE CREDIT MONTHLY

LETTER OF COMPLAINT

For the convenience of members, the following form letter has been prepared. Its use will greatly expedite I. and P. work.

Letter of Complaint

To the Manager and Executive Committee of the Investigation and Prosecution Department of the National Association of Credit Men, 41 Park Row, New York
 Gentlemen:

A debtor, (Give name and address)

with whom we have been dealing, (Give length of time)..... has become a bankrupt (or state just what happened), owing us, (Give amount of the indebtedness and whether or not due or past due).....

We have received from the debtor a financial statement under date of..... The original statement is herewith enclosed. We received certain representations from the debtor, (Mention whether they came through the mail or were received verbally).....

....., and are as follows: (Give them in detail, and enclose the original letters).....

The agencies reported as follows: (Give gist of the report when issued, or enclose the report)..... We have received other reports as follows: (Give them in detail, or furnish originals).....

It is our belief that this debtor has committed the following offense:.....

If the case is accepted, we agree to abide by the rules of the National Department, and co-operate in every way that is possible and required, and we will not accept compositions and offers of settlement, or in any way retire from the complete and thorough investigation and prosecution of the case.

Yours very truly,

Name

Address

By

Town or City

State

Date

N. I. C. Text Book

THE National Institute of Credit continues to use as a text-book the standard work "Credits and Collections," the first edition of which appeared in 1917. The authors are Richard P. Ettinger, member of the N. Y. Bar and Assistant Professor in Finance, N. Y. University, and David E. Golieb, credit manager, Einstein-Wolff Co. and chairman of the Advisory Council of the N. I. C.

Credit Instinct in Salesmen

SECRETARY TREGOE of the National Association of Credit Men was a speaker at the salesmen's conference of the Norton Company of Worcester, held September 13. He spoke on "The desirability of a credit instinct for the salesman." Three hundred members of the selling force of the company had gathered at the Worcester plant for the conference.

Let's Go to 36,000!

Goal Set for Membership and Detailed Suggestions for Recruiting

By Robert E. Lee

Mgr., Membership Dept., National Association of Credit Men

THIRTY-SIX thousand members before the next annual convention, June, 1921; *let's go!*

That is the objective set by the Executive Committee of the Committee on Membership of the National Association of Credit Men at their meeting held recently in the National Office.

The Executive Committee consists of R. W. Touzeau, chairman, Cleveland; A. B. Comstock, Providence; W. H. Duncan, Baltimore; E. T. Holland, New York; O. H. Merz, Newark, and A. T. Rickards, Philadelphia. The meeting was attended by Secretary-Treasurer Tregoe, by the manager of the Membership Department of the Association and by a representative of THE CREDIT MONTHLY.

The committeemen believe that this is a year in which the Association can attract membership as never before. The business world must grapple with vast problems of distribution and credit. Credit grantors are called upon, in a time of deflation such as the present, to exercise the greatest care, to lay hold of every available source of credit information, to cooperate to the limit with one another. Members of the Association have always been strong for cooperation in theory; nowadays they are finding out that cooperation is a necessity in practice.

At the meeting of the committee various successful recruiting methods were brought out, and the three main arguments for joining the Association were enumerated as follows: (1) The building of business, (2) improving credits, and (3) improving the status of the credit manager.

To get a man interested, it is a good plan to ask him to come as your guest to a supper meeting of the Association. This will usually start him in the right way and lead to his becoming a member.

Sometimes a man will decline to join, and a few days later will ask the man who urged him to join what he knows about a certain risk. This has happened a number of times to members engaged in membership work. When it does happen it should be easy to get him to join.

When a new member comes to his

first meeting he should be taken care of either by the man who persuaded him to become a member or by a specially appointed reception or acquaintance committee.

Good results have been obtained by taking in members in groups of ten or more, and giving them a sort of initiation—not of the "rough house" variety, however. The meeting should be designed to cover the various activities of the Association in such a way that the new members have a full appreciation early in their membership of what the Credit Men's Organization is doing. Where the new members exceed fifty it is well to take them in smaller groups.

It is desirable to get the new live members on working committees as soon as possible, in order that they may learn how much good work there is to be done, and how much profit there is in such work for themselves and their companies. If a member, old or new, does not come to meetings, a representative of the acquaintance committee should call on him and warm him up before he gets his bill for dues.

Edgar I. Ide, treasurer of the H. J. Pauly Company, secretary of the Los Angeles Association, has prepared a small folder, entitled "Ten Valid Reasons," which has been used for a long time in membership work in Los Angeles. At luncheons and dinners of the Association it is frequently distributed at the members' places and is a reminder that each member should be looking for new members at all times. The "ten valid reasons" are as follows:

No. 1. The National Association of Creditmen made it possible through the enactment of the Bankruptcy Law for every creditor to have equal rights.

No. 2. The National Association of Creditmen made it possible through the enactment of the Bulk Sales Law for a credit grantor to obtain protection through advertised notice of sale of a debtor's business.

No. 3. The National Association of Creditmen made it possible through the enactment of the False Statement in Writing Law for the prosecution of a merchant who attaches his signature to a false statement in writing of his financial condition.

No. 4. The National Association of Creditmen made it possible through the establishment of the Adjustment Bureaus to prevent unnecessary failures and to obtain increased dividends through the economical administration of failing debtors' estates.

No. 5. The National Association of Creditmen made it possible through its 32,692 members and nation-wide interchange bureaus to obtain unlimited credit information.

No. 6. The National Association of Creditmen made it possible through the Fictitious Name Law, requiring any person, or firm doing business under an assumed title to register name of owner.

No. 7. The National Association of Creditmen makes it possible through the publication of the CREDIT MONTHLY, to get the best information obtainable on credits and collections and advice of the National office.

No. 8. The National Association of Creditmen makes it possible through its permanent investigation and prosecution fund to prosecute any fraudulent failure.

No. 9. The National Association of Creditmen makes it possible through your membership and influence to enact such legislation as will promote honesty in business.

No. 10. The National Association of Creditmen makes it possible to have higher ethical standards in the relations between sellers and purchaser; thus giving to the credit system greater freedom from unnecessary losses and failures.

A strong recruiting argument is the fact that every member receives, once a month, THE CREDIT MONTHLY, a Magazine of Business Fundamentals, which is establishing itself as an important business and financial magazine, for which non-members have to pay three dollars a year. It should be possible in the next few months to reach and even pass the goal of thirty-six thousand members. *Let's go!*

News comes from Ottawa, Kansas, about that old friend, B. C. McQuesten, who, on account of serious illness in his immediate family, was obliged some months ago to leave his work in the National Office in New York and go to his home in Kansas on leave of absence. Instead of returning to service with the National Association of Credit Men, Mr. McQuesten has decided to accept a position of great responsibility in the Ottawa Mortgage Company, whose president has been elected Mayor of Ottawa, and who, therefore, will have less time than heretofore to give to the Mortgage Company. The warmest good wishes and sincere regrets at his departure go out to Mr. McQuesten from the whole National Office staff as well as from hundreds of members of the Association.

National Institute of Credit

N. I. C. Born in Cincinnati

By John Richey

The Procter & Gamble Distributing Co.

WE, of course, very naturally are intensely interested in the work of the Cincinnati chapter of the N. I. C. as the Institute originated in this city, and we want to do everything we can to advance its interests not only here but elsewhere.

We have attempted to develop the Institute chapter not only as an educational organization, but have put into it a number of features that make it more or less of a junior organization of Credit, giving the members or endeavoring to give them an insight into the value of the Association for mutual advantage. This also furnishes us with a source from which students in the University can be obtained in the course in Credits and Collections maintained at the University in the College of Engineering and Commerce.

Our local Credit student organization is self-governing entirely. The only restriction is that all of its acts are subject to review and even reversal by the Board of Directors of the Cincinnati Association of Credit Men. It has its own constitution in which this provision is set forth.

The classes this year are being held weekly on Tuesday evenings. One course in Commercial Law is given in connection with the general course in Credits and Collections. We have one paid lecturer on Commercial Law and the various Credits and Collections subjects are handled by lecturers from the membership of the Cincinnati Association of Credit Men.

Each general session of the Institute is of course conducted by the members themselves, which gives them an opportunity to gain experience in the administration of an Association and in public speaking. The spirit is excellent in the organization and the members have developed for the coming year classes a membership of about 125; and the organization is still growing.

We have an Advisory Committee that acts with the Board of Directors of the Institute so that while we encourage them to run their own affairs, yet we attempt to give them the benefit of such advice as will keep them on a sound basis.

Cleveland Program Full

By B. E. Cushing

Asst. Secy., Cleveland Association of Credit Men

PLANS have been completed by the Cleveland Association of Credit Men for the opening October 4 of the Cleveland Institute of Credit under direction of the National Institute of Credit. Classes will be held at the Cleveland Y. M. C. A. under the supervision of the Educational Committee of the Cleveland Association, of which Will S. Campbell of The Cleveland Neckwear Co. is chairman.

This year for the first time the third year's work will be added to the course. Last year the second year was added.

The Cleveland course is a study course, not a lecture course. Students attend

school two hours a night, two nights a week for thirty-two weeks each year, and the work advances annually according to the outline of the National Institute. This fall the first-year class will take up Credit Management one night each week for the full year with W. A. Gordon, credit manager of the American Stove Co., as instructor. On the second night each week Business Correspondence will be studied with E. E. Falls as instructor. During certain nights of Mr. Gordon's work members of the Cleveland Association will aid in presentation of phases of Collection Correspondence. The second year's work devotes one night per week to accountancy under supervision of W. A. Rowe of the Osborn Engineering Co., and one night to law taught by attorney S. A. Davies. The third year's work will include money and banking, foreign trade and business barometrics and statistics.

The educational work of the Cleveland Association this winter will also include a class in public speaking and one in reading.

Pittsburgh N. I. C. Chapter

By J. G. Reuter

Pittsburgh Garage & Supply Co.

THE need of standardizing and strengthening credit education is essential at this time. The aim of the National Institute of Credit is to work out a practical course of education, adaptable to the present requirements of credit work.

The credit man must not be found wanting, but must be ready to respond in full measure to solve problems for better and sounder business. The N. I. C. offers the opportunity to every person willing to make himself a better business man. What you get out, however, depends upon the effort you put into it. What we want is success, success for our houses, which means success for ourselves, and by success I do not mean merely money, I mean along with a fair profit a reputation for fair dealing and absolute integrity.

There are no set of rules that can be drawn up that will equally apply to all classes of credit. The methods of credit granting have undergone changes during recent years, due to abnormal changes in business.

The National Institute of Credit offers wonderful opportunities at its meetings to discuss present-day problems and assist in keeping the credit man toned up to the requirements of his position. The Pittsburgh Chapter of the National Institute of Credit has had a very successful year. With the co-operation of the University of Pittsburgh we were able to put on two classes each week, one on retail credits and one on wholesale credits. The Chapter also held one meeting each month, at which topics of vital interest were discussed.

We are endeavoring to cover the study of Basic Industries, such as cotton, wool, silk, tobacco, etc., giving a little time to the history, processes, etc., which in itself is intensely interesting. The rest of the time is devoted to the question of financing and the credit problems that one

would encounter when selling to that particular line of trade.

The speaker is allowed thirty minutes to introduce his subject, and then the session is thrown open to discussion.

The house with which the writer is connected, as well as others in this district, agreed to pay the tuition of each person who wishes to take advantage of any of the classes, and from first-hand experience it can be said that the results have been very gratifying.

Teaches Business English

By R. E. Beebe

Swift & Co., Kansas City

THE new Board of Governors of the Kansas City Chapter of the National Institute of Credit decided to have two classes the coming year, because so many members of the old class wished to go on with the study of credit at the completion of their last year's work.

The first-year class will use for a textbook, "Credit and Collections" by Ettinger and Golieb, and supplemented by a study of Business Correspondence by Prof. F. H. Gardner, of the University of Wisconsin. This will be further supplemented by talks by Kansas City bankers, managers and accountants, actually occupying important positions with Kansas City institutions.

The second year's class will take up Business Finance, by Prof. Wm. H. Lough, formerly of New York University of Commerce and Finance.

This will be also supplemented by a study of Expressive English, by James C. Fernald, associate editor of the Standard Dictionary. In other words it is planned to take up the study of the English language from a scientific standpoint as to what language is and the function it performs in human intercourse. In this study we will lay especial study on the part language plays in business correspondence. This course will also be supplemented by talks from Kansas City's principal business men on topics connected with the study of finance.

We plan to have meetings of each class every other week, so that there will be about 15 meetings of the first year's class and about the same number of the second year's class. We look for a very successful and profitable winter.

N. I. C. Notes

Kansas City, which last year had a membership of 144 is planning its second-year work. It has announced courses in Credits and in Business English.

Norfolk reports that a chapter has been organized by the Norfolk-Tide-Water Association of Credit Men, with an initial membership of twenty-two, which is likely to be materially increased.

Correspondence Course.—There are now 235 students in the correspondence course in "Credits and Collections." Last year at the same time there were but 67. L. A. Ryan, H. Channon Co., Chicago, Ill.; H. J. Rumsey, 210 East 48th St., Chicago, Ill.; and R. L. Henry, 5301 Washington Boulevard, Chicago, Ill., have completed the course.

Facts and Statistics Brought Out by Business Research

Data from Reports of an Academic Bureau and a Trade Organization

By John Whyte, Ph.D.

THE last few years have witnessed tremendous strides in the growth of scientific analysis of business. Universities and trade associations have been earnestly engaged in the gathering of the facts of business and in their presentation. The high character of this work and its value for the business of the country can be recognized in the summaries of the work of two prominent bodies of business research, namely the Bureau of Business Research at Harvard University and the Western Association of Shoe Wholesalers.

Excerpts from Reports by the Harvard Bureau of Business Research

THE Bureau of Business Research of Harvard University has recently published four bulletins of great interest and value to the student of credit and business. They are: "Operating Expenses in Retail Shoe Stores in 1919," "Operating Expenses in the Wholesale Grocery Business in 1919," "Operating Expenses in Retail Hardware Stores in 1919" and "Operating Expenses in Retail Grocery Stores in 1919."

These compilations are based upon the tabulated reports of hundreds of business houses using a standard accountancy system. In these compilations the Harvard reports make use of the highest figures, the lowest figure, the common figure or the mode (the point around which the figures tend to concentrate in greatest number without being influenced by the figures at the extreme).

The value of such figures is apparent. The wholesale grocer or retail shoe man who uses the standard accountancy system can compare the individual items in his operating expenses with the common, the highest and the lowest figures for the same items in the compiled report. If some particular item of expense in his business is strikingly excessive, measured by the common figure, he will take measures to correct the situation it reveals before it affects

his ability to compete with his competitors.

The Harvard reports appear annually and some of them now cover several years. Hence, they afford a valuable standard of criticism for the course of any particular business and of business in general.

For the purposes of bringing to the readers of THE CREDIT MONTHLY the type of data of these reports, typical excerpts from the reports are here given. The accountancy system for the operating expenses varies with each business. In addition to the large number of items included among the operating expenses given in the table, certain outstanding items are commented upon and interpreted. These are Volume of Business, Total Expenses, Selling Expenses, Gross and Net Profits, Delivery Expenses, Buying and Management Expenses, Fixed Charges and Upkeep Expenses, Losses from Bad Debts, (Gross and Net Profit), Stock-Turn, Inventory, Buying, Cash Discounts and Financial Figures.

STOCK-TURN IN WHOLESALE GROCERY BUSINESS, 1919

"The rate of stock-turn has been determined by dividing the cost of the merchandise sold during the year by the average of the inventories of merchandise at the beginning and end of the year. Had monthly inventory figures been available their average divided into the cost of goods sold would have given a more accurate figure for stock-turn. With monthly inventories the seasonal fluctuations in the amount of merchandise carried would be taken into account. The seasonal fluctuations, however, are presumably much the same throughout the wholesale grocery trade, so that the method of determining stock-turn used here gives figures that have significance for purposes of comparison.

"The lowest rate of stock-turn reported in the wholesale grocery business in 1919 was 2.2 times a year; the highest was 14.6 times; and the common figure was 5.2 times. While

the common figure for the rate of stock-turn in 1919 was 5.2 times a year, nevertheless, enough firms were turning their stock more than six times a year to indicate that a faster rate is readily obtainable in a majority of the wholesale grocery businesses.

"A comparison of the reports from identical businesses for the two years indicated that the rate of stock-turn was the same in 1919 as in 1918. It is furthermore significant that the same firm showed the highest rate of stock-turn in both 1918 and 1919. Although in this particular case the 1919 figure is lower than the figure for the previous year, the fact that the same firm had the highest rate of stock-turn in two consecutive years indicates that it was not accidental but presumably the result of careful buying and good management.

"In 1919 the wholesale grocers who turned their stock more than six times a year showed a common figure for total expenses of 8.3 per cent. of net sales. Wholesale grocers who turned their stock less than 4.5 times a year showed a common figure for total expense of 9.8 of net sales. In other words, the firms that were turning their stock more rapidly were able to make a substantial reduction in their ratio of total expense to net sales."

WAGES OF SALESFORCE IN RETAIL HARDWARE STORES, 1919

"The common figure for wages of salesforce, including a part of the proprietor's salary in proportion to the time spent in selling, was 6.2 per cent. of net sales in 1919. A comparison of the figures for stores furnishing reports for both 1918 and 1919 showed that wages of salesforce tended to be slightly higher in proportion to net sales in 1919.

"Figures were worked out for eighty-nine stores to show the average annual sales of merchandise per salesperson. Allowances were made for the time of the proprietor or

OPERATING EXPENSES IN THE WHOLESALE GROCERY BUSINESS IN
1919.—NET SALES=100 PER CENT.

	Lowest. Per cent.	Highest. Per cent.	Common. Per cent.
Total sales force expense.....	0.34	4.12	2.2
Advertising.....	0.01	0.36	0.03
Other selling expense.....	0.01	0.63	0.07
Total selling expense.....	0.39	4.26	2.4
Salaries and wages of receiving, warehouse and shipping force.....	0.33	2.75	1.1
Packing cases and wrappings.....	0.01	0.48	0.04
Outward freight, express, parcel, postage and cartage....	0.01	3.71	0.4
Total receiving, handling and shipping expense.....	0.75	5.33	1.6
Executive salaries (including buying).....	0.21	2.55	0.8
Office salaries.....	0.26	1.81	0.7
Postage and office supplies.....	0.02	0.41	0.17
Telephone and telegraph.....	0.01	0.21	0.04
Credit and collection expense.....	0.01	0.37	0.03
Other management and buying expense.....	0.01	0.79	0.1
Total general management and buying expense.....	0.93	3.6	2.0
Rent.....	0.11	0.73	0.3
Heat, light and power.....	0.01	0.3	0.05
Taxes (except on buildings, income and profits).....	0.01	0.67	0.2
Insurance (except on buildings).....	0.02	0.36	0.15
Repairs for equipment.....	0.01	0.36	0.04
Depreciation of equipment.....	0.01	0.71	0.13
Total interest.....	0.34	0.73	1.6
Total fixed charges and upkeep expense.....	0.9	4.32	2.6
Miscellaneous expense.....	0.01	0.71	0.2
Losses from bad debts.....	0.01	0.9	0.15
Total expense.....	4.35	14.71	9.1

partners spent in selling, also for extra salespersons, and for the time spent by any other employees in selling. The average annual sales of merchandise per salesperson varied from \$6,800 a year to \$25,000 a year in 1919. The common figure was \$15,000.

"In the stores in which the average annual sales of merchandise per salesperson were less than \$14,000 the average figure for salesforce expense was about 8 per cent. of net sales. In the stores in which the average annual sales per salesperson were between \$14,000 and \$18,000 the common figure for salesforce was 6.1 per cent. The common figure for salesforce expense in stores with average annual sales per salesperson greater than \$18,000 was about 4 per cent. of net sales. Although the number of reports was not great enough to warrant exact comparison, it appeared that salesforce expense generally was about one-half as great in proportion to net sales in the retail hardware stores that had a high volume of sales of merchandise per salesperson as compared with the retail hardware stores with a small volume of sales for average annual sales per salesperson.

"In its investigations in other retail trades the Bureau has found the figure for average annual sales per salesperson especially significant in interpreting the expenses for wages of salesforce. Economy in salesforce expense usually is brought

about by the adoption of methods which enable the employees to handle a large volume of sales. In a substantial number of retail hardware stores the expense for wages of salesforce was substantially less than 6.2 per cent., the common figure in 1919, and with few exceptions these were the stores securing a large volume of sales per salesperson."

FINANCIAL FIGURES IN RETAIL SHOE
STORES, 1919

"The average inventory of merchandise on hand at the beginning of the year 1919 in the retail shoe stores from which reports were received was \$40,400. The average inventory of merchandise at the end of the year 1919 was \$53,500. Thus the average amount invested in merchandise was 32.4 per cent. higher at the end of the year 1919 than at the beginning of the year. The increase is to be accounted for primarily by the rise in prices of shoes.

"From the financial statements that were received with the reports of the year 1919 the ratio of current assets to current liabilities at the end of the year has been worked out. This ratio was determined for 143 stores. In one store the current assets were less than the current liabilities. In sixteen stores the current assets were from 1.3 to 1.9 times the current liabilities; in thirty stores from 2.0 to 2.9 times; in twenty-three stores from 3.0 to 3.9 times, and in seventy-three stores the current assets were more than four times the current liabilities. Ac-

cording to customary standards of rating credit these figures indicate that a large proportion of these stores were in a sound financial condition. It is to be borne in mind, however, that these reports were obtained from the more progressive stores which were keeping accounts that showed whether or not they were making a profit. Such stores are likely to be in a stronger financial position than stores which cannot make out a reliable profit and loss or net worth statement.

"Another comparison worked out from these financial figures for 131 stores was the ratio of accounts and notes receivable to average monthly sales. In 114 stores the accounts and notes receivable at the end of the year were less than the average monthly sales during the year. In seventy-one stores the accounts and notes receivable were less than one-half the average monthly sales.

"In stores in which the accounts and notes receivable were less than one-half the average monthly sales, the expenses for total interest and for losses from bad debts were low. The stores with a low ratio of accounts and notes receivable to average monthly sales commonly showed a saving of about four-tenths of 1 per cent. of net sales in these two items."

CREDIT SALES IN RETAIL GROCERY
STORES IN 1919

"Eighty-nine per cent. of the stores from which reports were received for 1919 granted credit to their customers. The stores that did not grant credit generally had a smaller volume of sales than the credit stores, but did not appear to have a lower total expense. Here again, however, the number of stores is perhaps too small to be considered representative.

Percentage of credit to total sales.	No. of Stores.
Less than 10%.....	6
10-19.....	4
20-29.....	8
30-39.....	6
40-49.....	11
50-59.....	28
60-69.....	28
70-79.....	32
80-89.....	14
90 and over.....	1

"This indicates that, in a majority of the stores granting credit from 50 per cent. to 75 per cent. of their sales were credit sales.

"The proprietors of these stores were requested to state the information that they required from a customer before granting credit. Replies to this question were received from 117 merchants. The basis for granting credit in sixteen of these stores was a statement of the business or occupation of the applicant;

in seventeen stores, a recommendation; in six stores, a signed agreement; in twenty-six, references from the merchant with whom the applicant previously had traded. In twenty-eight stores, the rating of a local retail credit agency or information obtained from a source such as a bank was utilized. The other merchants stated that they based their decision on 'all information possible,' 'income' or 'personal acquaintance.'"

It is probably fair to assume that most of the merchants who did not reply to this question have not adopted any regular policy for obtaining information before granting credit to a new customer. It is, however, significant that a large number of grocers are following the policy of using the ratings of a retail credit agency or requiring references from new customers.

Each of these bulletins is for sale by the Harvard University Press, Cambridge, Mass. Credit men who are interested in their own business as well as Business Service cannot do better than study the scientific results of these investigations of business and apply them to the solution of their own problems.

Comments on a Trade Organization's Cost of Business Charts

The Western Association Shoe Wholesalers, Chicago, has compiled two charts, one for the "Cost of doing business" in 1919 and the other for the "Cost of doing business in the years 1915-16-17-18-19." The chart showing the cost of doing business in 1919 gives the figures for sixty-four members. These members are classified according to their total sales into:

1. Total sales... \$300,000.00 or less.
2. Total sales... 301,000.00 to \$500,000.00
3. Total sales... 501,000.00 to 1,000,000.00
4. Total sales... 1,001,000.00 to 2,500,000.00
5. Total sales... 2,501,000.00 to 5,000,000.00
6. Total sales... 5,000,000.00

The necessity and value of such a division is apparent. The members who receive this chart can compare their costs with the costs of members doing the same amount of business, and thus see where their costs are above or below the average.

The comparative tabulation of the cost of doing business for 1915-16-17-18-19 has a more general interest.

In the following paragraphs comment is made on some of the outstanding items. The items are *percentages of the total sales*.

INTERESTING ITEMS

a. *Percentage of salaries to principals to total sales* decreased from 1.38 in 1915 to 1.22 in 1916, but from there on increased until it reached 1.57 in 1919. In other words, the principals increased their salaries

considerably out of proportion to the increase in the sales, thus taking a rather natural human advantage of the increased business that must have come to them in the years 1917-1918-1919. It will be interesting to note whether, with a slackening of business in 1920, they will reduce their salaries in proportion to sales possibly to the 1915-1916 level.

b. *Rent*. The charges for rent were in 1915 .64; in 1919 .47, a rather remarkable reduction. This reduction is to be accounted for by the fact that owing to the lack of construction during the war years an increased amount of business was done in the old quarters and there was no appreciable advance in rent. It will be interesting to get the 1920 figures, which it would seem will reflect a higher percentage because of an advance in rents and also because of increased costs of new construction.

c. *Taxes*. The charge for taxes in 1915 was .42; in 1916 .35. The war taxes raised this charge to .44 and .45 in 1918. However, in 1919 the taxes were but .37, showing that the Government was getting a smaller proportion of the total sales than in former years. The money obviously went somewhere else, presumably into salaries.

d. *House salaries* were in 1915 2 per cent. of total sales. In 1917 they had moved down to 1.64, which shows that the salaried employees in the shoe business were not receiving any very appreciable share of the proceeds of the increased business. In 1918 house salaries amounted to 1.81, in 1919 to 1.91, which shows a revision of the salary scale already to a point very close to that existing in 1915 (in proportion to total sales).

e. *Loss from bad debts* decreased steadily over the period of five years from .73 in 1915 down to .28 in 1919, a remarkable decrease. This decrease is largely attributable, not to better methods of doing business, but to the general economic situation, the sellers' market, etc. It will be interesting to note this item for the year 1920.

f. *Collections: Mercantile Agencies*. There is also a decrease in this item from .22 in 1915 to .14 in 1919. It seems reasonable to assume that this decrease is due in part to the general economic situation described above, the ease of collections and the fact that mercantile agencies' reports in a sellers' market were less necessary since sellers could sell to gilt-edged customers, etc. It is unfortunate that this item does not divide the mercantile agency account and the outside collection account. (This collection account, of course,

must refer to charges of outside collection agencies and not to the house collection expenses.)

g. *Interest charges* moved up in 1915 from .72 to 1.04 in 1917 and then went down to .89 in 1919. Again, it will be interesting to get the 1920 figures, which ought to reflect higher interest charges.

h. *Advertising* shows a decrease from .44 in 1915 to .27 in 1919. Evidently the shoe wholesalers dealing in a commodity which is absolutely essential, and with under-production and a tremendous domestic and export demand, found it possible to cut their budget for advertising below its ordinary proportion to total sales.

i. *Salaries and commission*, which I take it represent largely travelling salesmen, were in 1915 3.24, in 1919 3.56, a substantial increase in proportion to total sales. It is difficult to account for this increase, when one might think that selling was a more dispensable item in 1919 than in 1915.

j. *Actual travelling expenses* moved down from 2.37 in 1915 to 1.44 in 1919—a remarkable decrease, to be accounted for, probably, largely by the fact that salesmen did not have to go on the road to sell their goods, and when they did the cost of transportation and of hotels had not moved up in proportion to other advances and in proportion to the increase in total sales.

k. The grand total of the cost of doing business moved down from 15.15 in 1915 to 13.75 in 1919, which, other things being equal, should be revealed in increased profits in 1919. It will be interesting to watch this item in 1920.

Bank Credit Ethics

STANDARDS of action among credit departments of banks are being formulated by the Robert Morris Associates, an organization made up of banking members of the National Association of Credit Men. In the field of credit interchange among banks, two principles are explicitly set out in the following resolutions adopted in regular meeting:

"Resolved, The first and cardinal principle of credit investigation is the sacredness of the replies and any violation of this principle places the violator beyond the pale of consideration of the honest credit man.

"Resolved, That it is the sense of this meeting that in answering inquiries the source of the information should not be disclosed without permission and that letters written in answer to inquiries should be held inviolable by the recipients."

Republican Views on Taxes and a Budget

What Messrs. Harding and Coolidge and the Party Platform Have to Say

SENATOR WARREN G. HARDING, of Ohio, in his speech of acceptance of the Republican nomination for the Presidency, at Marion, Ohio, July 22, 1920, had this to say about taxation:

TAXES

"I believe the tax burdens imposed for the war emergency must be revised to the needs of peace, and in the interest of equity in distribution of the burden.

"I believe in the protective tariff policy and know we will be calling for its saving Americanism again."

Governor Calvin Coolidge of Massachusetts, accepting the Republican nomination for the Vice-Presidency, at Northampton, Mass., July 27, 1920, said:

"The most obvious place to begin retrenchment is by eliminating the extravagance of the government itself. In this the Congress has made a commendable beginning, but although the Congress makes the appropriations, the departments make the expenditures which are not under legislative but executive control.

"The extravagant standards bred of recent years must be eliminated. This should show immediately in reduced taxation. That great breeder of public and private extravagance, the excess profits tax, should be revised and recourse had to customs taxes on imports, one of the most wholesome of all means of raising revenue, for it is voluntary in effect, and taxes consumption rather than production. It should be laid according to the needs of a creditor nation, for the protection of the public, with a purpose to render us both economically and defensively independent.

"A revision of taxation must be accompanied with a reduction of that private extravagance which the returns from luxury taxes reveal as surpassing all comprehension. Waiving the moral effect, the economic effect of such extravagance is to withdraw needed capital and labor from essential industries, greatly increasing the public distress and unrest."

The platform of the Republican

party has this to say on taxation:

"The burden of taxation imposed upon the American people is staggering, but in presenting a true statement of the situation we must face the fact that, while the character of the taxes can and should be changed, an early reduction of the amount of revenue to be raised is not to be expected.

"The next Republican administration will inherit from its Democratic predecessor a floating indebtedness of more than \$3,000,000,000, the prompt liquidation of which is demanded by sound financial considerations. Moreover, the whole fiscal policy of the government must be deeply influenced by the necessity of meeting obligations in excess of \$5,000,000,000, which mature in 1923. But sound policy equally demands the early accomplishment of that real reduction of the tax burden which may be achieved by substituting simple for complex tax laws and procedure, prompt and certain determination of the tax liability for delay and uncertainty, tax laws which do not for tax laws which do excessively mulct the consumer or needlessly repress enterprise and thrift.

"We advocate the issuance of a simplified form of income return, authorizing the treasury department to make changes in regulations effective only from the date of their approval, empowering the commissioner of internal revenue, with the consent of the taxpayer, to make final and conclusive settlements of tax claims and assessments, barring fraud, and the creation of a tax board consisting of at least three representatives of the taxpaying public and the heads of the principal divisions of the bureau of internal revenue, to act as a standing committee on the simplification of forms, procedure and law, and to make recommendations to the congress."

A NATIONAL BUDGET

Senator Harding, in his acceptance speech, said:

"I believe the budget system will effect a necessary, helpful reformation, and reveal business methods to government business."

The Republican platform treats of the budget as follows:

"We congratulate the Republican congress on the enactment of a law providing for the establishment of an executive budget as a necessary instrument for a sound and business-like administration of the national finances; and we condemn the veto of the President which defeated this great financial reform."

Six reasons for the adoption of a Federal budget are given in a pamphlet, "The Budget System," issued by the Republican National Committee, Washington. They are:

"First, because it is the only system under which an efficient administration of the financial affairs of the Government can be obtained.

"Second, because the United States is the only country in the world claiming to have a modern government that does not make use of such a system.

"Third, because the budget system is the only system under which the Executive, having responsibility for the actual administration of public affairs, can be held to a rigid accountability for the manner in which funds granted for the support of the Government have been expended.

"Fourth, because it is the only system under which the Executive can effectively discharge his duty of laying before the fund-raising and the fund-granting authority of Congress, a complete statement of the financial condition and needs of the Government so itemized and classified as to enable that body to see their full purport and significance.

"Fifth, because it is the only system under which Congress, having received this information in proper form, can properly discharge its duty of making provision for these needs in a manner that will have regard not only for specific requirements, but the interests of the Government as well.

"Sixth, because it is the only system under which the people can enjoy their right and exercise their essential function of holding both the Executive and Legislative branches of government to a rigid accountability for the manner in which they perform their respective duties."

The Democratic Candidate on Taxes and a Budget

A Message to the National Association of Credit Men by
Governor James M. Cox of Ohio

BETWEEN taxation and the expense of conducting government with the consent of the taxed there is an obvious and intimate relation. In an autocracy the extravagance or caprice of the sovereign determines as often as not the proportions of the levies imposed upon the people; but this republic came into being as a protest against that system, which is as immoral as banditry. And it is a sign of our healthfully awakened civic consciousness that the questions of taxation and of the scientific, business-like disbursement of taxes after their collection should be so well in the foreground of public thought. It is only thus that the moral aspect of the subject, as well as its economic relation to our social structure, can come to be generally appreciated.

The editor of THE CREDIT MONTHLY has asked me certain questions about taxation and a national budget which it gives me pleasure to answer, because I believe that so to do is in accord with the democratic obligation assumed by the candidate of a great political party. I will answer all of them, therefore, without equivocation or evasion, as nearly as may be in the order of their presentation.

EXCESS PROFITS TAX NO LONGER NEEDED

In the emergency of war an excess profits tax was not only justified by the unprecedented demands upon our Treasury, but was in accordance with the fundamental principle by which the contribution for governmental support and protection is apportioned as nearly as possible in accordance with benefits received. It was eminently just that those whose profits were swollen by the ghastly business of war should pay more toward financing it than those who derived no gain from it. But that emergency is past. The tax justified then is not needed now. It should have been terminated as soon as was reasonably possible after the armistice was signed. Its continuance has worked a grave hardship upon the public.

In effect this tax has been cumulative. It has been paid by the con-

sumer, and he has paid much more than the Government received. Every business establishment, in setting its selling price, has calculated a fair profit and has added to that a liberal margin out of which to meet the excess profits impost. Successively this has been done by the manufacturer, the jobber, the distributor, the retailer; and the consequence has been that the final purchaser has paid the tax in an augmented or multiplied form. To speak of this process as pyramiding conveys an inaccurate impression unless you either regard the pyramid as inverted or the unfortunate con-

The Presidential Candidates Were Asked These Questions by The Credit Monthly

TAXES

A. Are you in favor of retaining the present scheme of taxation, specifically the Excess Profits Tax?

B. Do you favor the substitution of a Sales Tax? If so, what kind of Sales Tax?

C. Are you in favor of the elimination of the Excess Profits Tax and the Corporation Income Tax, and the substitution thereof of a corporation undistributed earnings tax (at a graduated rate that will have a tendency to encourage payment of dividends) and a new readjustment of rates of taxation on personal incomes? In other words, are you in favor of a wider application of the income tax principle as a substitution for the present tax system?

BUDGET

A. What you believe are the advantages of a Budget over our present system?

B. How soon you think that a Budget can be made to function?

C. To what extent you believe that public opinion is necessary to make a Budget function properly?

sumer as groaning underneath its base. The result was apparent at the outset, but the people bore their excessive burden with fortitude and good cheer so long as their country was at war and their soldiers under arms. As soon as the arms were grounded the burden should have been lifted; and I cannot refrain even here from condemning the Republican party, which controlled Congress at that time, for its spine-

less political expedient of refusing to effect the required tax readjustment.

FAVORS SMALL TAX ON TURNOVERS

As a substitute for the excess profits tax (and here I reply to another of the editorial questions put to me) I strongly favor a small tax on business turnovers. It will require approximately four billions of dollars annually to meet our sinking fund installments, interest charges and departmental expenses; and I estimate that about half this sum could be derived from a tax of not more than one and one-half per cent. on the total volume of business done by large going concerns. From such a levy the wages paid to laborers, incomes of salaried and professional men, and receipts from agriculture and small businesses ought properly to be exempt. Units of larger capital can bear it without inconvenience and to restrict it to them would facilitate its collection.

This tax, too, must be borne by the consumer, as must all taxes levied upon commodities; but it has the distinct advantage, in my opinion, of being paid but once. That is to say, it will not reach the consumer multiplied or even greatly enlarged. There are certain difficulties apparent in an equitable enforcement, but none of them is insuperable; and undoubtedly it would make possible the elimination of the burdensome excess profits tax, the occasion for which has passed. Moreover, we would encourage thus the re-entry into the channels of business of capital now withdrawn for investment in non-taxable (and non-productive) securities.

Hand in hand with this readjustment should go a revision of the taxes on personal and corporate income. The income from war-bred fortunes, those of the profiteer and the non-producer, and those derived from industries which flourish by reason of special unfair privileges, should stand at a high mark; but taxes on the smaller earnings of workingmen and the professional classes should be appreciably decreased.

AGAINST FEDERAL INHERITANCE TAX

In this connection it may not be amiss to express the disfavor in

which I hold a Federal inheritance tax. The processes by which property passes from generation to generation are guarded by the State and the smaller units within it, and are made possible through the functions of those agencies. The Federal authority has nothing to do with them, and ought not properly to exact any compensation when they are accomplished. This source of revenue should be restricted to the State.

But if an equitable revision of taxation is essential, justice and common sense demand no less urgently that the Government's requirements in this direction be scaled down through the establishment of a national budget. The readers of this magazine are men of affairs, and I do not consider it necessary to set forth at length to such an audience the advantages of putting our Governmental administration on a business basis. That it has not been done sooner is a reflection upon the world's greatest business nation. The subject has loomed large for years in expert and lay thought, and it became vital to me when, as a member of the Committee on Appropriations in Congress, I saw the slovenly, capricious and wasteful manner in which millions of dollars were apportioned to departments. One of my first duties as Governor of Ohio was to insist upon a reorganization of the State's fiscal methods. A budget system was adopted in 1913, and it has resulted not only in a great simplification of

finances but in the saving of millions of dollars annually. That is an earnest of what might be accomplished for the taxpayer if the system were established at the national capital.

NATIONAL BUDGET NEEDED

As it is now, appropriations are made without regard to the amount of revenue forthcoming and without special knowledge of the requirements which must be met. No great business enterprise could escape bankruptcy if it were conducted on such a basis. That our Government has muddled through is due primarily to the fact that it is inordinately rich and that taxpayers are not so exacting in demanding a return on their outlay as are stockholders. Morally they are much more obligated to scrutinize the business conduct of their Government than the operations of concerns in which they are partners or investors, but apparently they are only now beginning to awaken to that fact.

A national budget system could be made to show results at once, and would begin to function with full effect just as soon as necessary research could be completed and the cooperation of all the Governmental departments procured. The results would be proportionate to the integrity and executive ability of those directing the new order. The editor of this magazine has asked to what extent I believe public opinion to be necessary to the success of the system, and my reply is that I believe public opinion to be now aroused.

Had the people not been clamant for the reform, the grudging and reluctant Representatives in the sixty-sixth Congress would not have amended its budget bill to meet the objections of the President, who had been obliged to return it after its first passage because of constitutional defects and certain provisions clearly dictated by considerations of political patronage. That the Senate adjourned without passing the amended bill only goes to show that the Senate was, as usual, less amenable than the House to the mandate of its constituents.

Emil Faguet, a learned and witty Frenchman, once wrote a book deriding democracy as "the cult of incompetence." That the foremost republic of the earth is now blundering along under an unsound system of taxation and wastefully inefficient fiscal methods might seem at first glance almost a justification of his cynical charge; but the defects of democracy are its virtues in this, that they tend always to correct themselves. People who organize for self-control will see to it finally that the control is competent and efficient. The majority is always right in the long run, and if it errs for a time soon rights itself. Public opinion is a prophylactic. And I am wholly confident that, although we may have tolerated incompetence in fiscal administration and reluctance to effect needed tax readjustment, the electorate will express its opinion effectively ere long. I, for my part, invite the decision.

Governmental Inefficiency

Absurdities of System; Proposals for Getting Rid of Waste

By R. P. Shealey

Washington Counsel of National Association of Credit Men

REFERRING evidently to the executive departments, bureaus and commissions, a western Congressman recently made the statement that the Government is "The worst managed business in the world," and by common consensus of opinion he was not so very wide of the mark.

What, for instance, would a credit grantor think if he wrote to a customer and said prices would be advanced in thirty days; if the general manager of the concern sent out on the same day a circular letter to the trade saying that there existed a world-wide shortage of materials in his particular commodity; and if the

president of the corporation a few days later gave an interview to the press in which he explained that there never really existed a shortage in his line and that the apparent shortage was largely propaganda.

Well, that is exactly the situation that Washington, typified by the executive departments, bureaus and commissions, as exhibited to the United States recently when dealing with the sugar situation. On August 21 the daily press carried a story, emanating from the Bureau of the Crop Estimates of the Department of Agriculture, in which the officials of the Bureau were quoted as saying that a sugar famine never existed

and that there never existed any justification for the high prices of twenty-five to thirty cents a pound. In this statement Herbert Hoover was quoted as having said that there was a shortage; that the Department of Justice explained that there was a shortage; and that these statements had their effect in the high prices, in the face of an ample crop.

A day or two later the public press carried another statement on the sugar situation from the Department of Justice, and in this statement the officials of the department were quoted as being unanimously of the opinion that prices would rise again as soon as the flurry had passed.

Following the Department of Justice's turn at the bat, came that of the United States Tariff Commission, and in a statement issued by this commission on August 27, the world was said to be over two million tons short in the production of sugar, and that the advance in domestic prices would have gone higher but for governmental control in the regulation of distribution through the agencies of the Food Administration, the International Sugar Committee, and the Equalization Board.

It is not the purpose of the writer to criticize these statements from the standpoint of accuracy, but simply to call attention to the fact that no two of them are identical. Yet they are all the output of arms or agencies of the same unit, the United States Government. And this is not the first time that conflicting views have been held by different departments of the government about a matter of vital interest to the American people, but, in fact, it has been going on for years, and the wonder is that something concrete has not before been done by Congress to correct it. It indicates in the clearest manner the duplication of work and overlapping now going on in the executive departments of the Government, and illustrates not only the financial loss to the taxpayers, but the additional perplexities and possible loss in household purchases caused by reading official reports and documents presenting conflicting views and forecasts of a situation, the varying prices of which may mean a distinct dollars and cents loss or gain to every householder.

WASTE AND DUPLICATION

However, in the language of a former President, it is a condition and not a theory which confronts us. This was recognized during the recent war by the passage of the Overman Act, authorizing the President of the United States to transfer existing bureaus of the government from one department to the other for the purpose of coordinating and simplifying their respective shares of work, and also as far back as the creation by Congress of the Cockrell Commission in 1887, and leading up to the organization, in more recent years, of the United States Bureau of Efficiency.

It is the understanding of the writer that during the latter days of the war some attempt was made to take advantage of the Overman Act; at least, memoranda along this line for governmental action were prepared; but as the armistice came along shortly thereafter and then the

peace treaties, with their many complex problems, it is supposed that this report was left over for more mature deliberation and reflection. The passage of the act itself is, however, a very direct recognition of the fact that there is a tremendous lot of waste and duplication in the management of governmental affairs, and with this fact recognized, it then becomes the question of whether the fault exists with the system or the man; that is to say, whether the laws which created the system, or the men and women who are executing those laws are to blame. The executive departments, at least so far as specialized employees are concerned, are notoriously undermanned and underpaid, and instances exist without number where men are handling problems of most vital importance to the taxpayers and are not paid one-quarter as much as they would get in private employment, and yet are doing well their work for Uncle Sam.

In the last Congress, legislation designed to cure many of the more important defects came near being passed, and may be enacted into law at the coming session. However, as it is a short session, expiring *sine die* March 3, 1921, the time in which to do anything is, of course, limited. One of the measures in this line was a bill creating a budget bureau in the Treasury Department, which only by a scant margin failed from becoming a law in June, and is still on the Senate calendar for passage. This bill contains a number of provisions which may be utilized to prevent duplication, notably sections 13 and 14, and has so many admirable provisions that many business men are earnestly hoping that it may be enacted into law at an early moment. It is, of course, not perfect, and opposition was expressed to a number of its provisions. It is, however, at least a step in the right direction.

Duplication and lack of standardization and uniformity, particularly in matters of construction contracts, are said to be costing the Government a large sum of money. With the idea of eliminating as much of this underlying waste and cost as possible, bills were introduced in the Senate and House by Senator Jones of Washington and by Representative Reavis of Nebraska, creating a Department of Public Works and transferring to this department all the construction activities of the Government, except those of a military or purely naval nature. The importance of such a department may be realized when it is said that this Department of Public Works,

if created, would have under its direction expenditures of over \$750,000,000 annually.

PROPOSED CENTRAL SUPPLY SYSTEM

Another suggested piece of legislation, represented in the Senate by a bill introduced by Mr. Frelinghuysen of New Jersey and by a bill in the House introduced by Mr. Wood of Indiana, creating a central supply committee, a much more enlarged and efficient committee than at present exists. Under the provisions of the Frelinghuysen-Wood bill there would be a central warehouse constructed, used to store supplies purchased by this committee for the use of the executive departments. As the situation now stands this supply committee determines what prices should be paid by the executive departments for their office supplies (and they are large in volume) and determines the successful bidder, but under the law is compelled to have the executive departments make the actual purchases. As a result some departments have more than they need of some supplies, while others have none at all and have to go out into the open market for purchases. Should the Frelinghuysen-Wood bill become enacted into law undoubtedly a great deal of the purchases for Uncle Sam other than construction contracting will be done by this committee.

Neither the Jones-Reavis bill creating the Department of Public Works, nor the Frelinghuysen-Wood bill, enlarging the activities of the General Supply Committee passed either house before the close of the session, but a resolution was introduced and passed by the House of Representatives providing for a general survey of the executive departments of the United States Government, and in all probability this is what Congress will do at its next session, provided the business men stay on the job, and insist that duplication and the ensuing waste of time and energy be eliminated. When duplication and overlapping in the federal government is to some extent cured by legislation, then will come the question of federal and State duplication and overlapping. Consequently the problem, in one form or another, will be before us for many years.

Pass It On

"Why not ask each member of the Association to see that after he has finished reading *The Credit Monthly* that it is placed in the hands of some individual he knows would be interested in the articles contained therein," writes a member of the National Association of Credit Men.

Activities of Credit Grantors

Chandler Steps Up

Buffalo.—Leon W. Chandler, former National Director and President of the Buffalo Association, has resigned from the Liberty Bank of Buffalo to become 1st Assistant Cashier of the newly organized Merchants National Bank.

William F. Chase, of the Citizens Commercial Trust Co. has been elected President; Charles S. Cook of the American Brass Company, 1st V. P.; Charles H. Fitch of the People's Bank, 2nd V. P., and Ira D. Johnson of the William H. Walker & Co., Treas., of the Buffalo Association of Credit Men.

Farrell Now Buffalo Secretary

Buffalo.—The officers and members of the Buffalo association are greatly pleased in having secured H. E. Farrell as their secretary. Mr. Farrell takes the place of Earl G. Campbell who has been called to a position with the Corrugated Bar Co. Mr. Farrell as the manager of the Fairbanks Co., of Buffalo, has for several years been one of the hardest working members of the association, a leader in the Booster Club and always ready to take a laboring oar; as a result he is well broken into his duties even before he assumes them. The Buffalo association is therefore well prepared to go ahead with its ambitious fall plans with the secretary's office ready for all demands.

Likes N. I. C. Course

Chicago.—The following is an excerpt from a letter of Thomas E. Noonan, President of the Chicago Chapter of the National Institute of Credit: "I am naturally gratified to have finished the course successfully and I feel that you and the other directors should be congratulated on the practical way in which the course is conducted. It isn't at all like the usual correspondence course."

Terrific Struggle Between O. K.'s and N. G.'s

Cleveland.—More than 300 members with their families attended the annual outing of the Cleveland Association of Credit Men at Albers' Villa. The day was ideal and the place, seventeen miles west of the city, beautiful with its abundance of shade and ample grassy green for the sport program. An automobile parade of seventy-five cars headed by President J. E. Campbell and escorted by mounted policemen had the villa for its objective. A program of games and races filled the early afternoon, following which a "Boom Fight," a Tug-of-war and three ball games were played. The company was equally divided into two groups, one known as "O.K.'s" and the other as "N.G.'s," and each person present wore a string tag with his name, firm and the group to which he belonged. The "O.K.'s" won the final ball game and walked away with the silk neckties, while the "N.G.'s" captured the Tug-of-war and the silk hose that went with it. Winners in the boom fight gathered bags of sugar and coffee. For the other events there was an abundance of prizes for men, women and children. Chicken

dinner and a musical program marked the early evening and dancing closed the session. In between were competitions among automobile owners and others in which awards included \$10 gold pieces, tool kits, hams, auto refrigerators, dust mops, a ton of coal and ice cream. All told more than 150 prizes were given, awards aggregating more than \$500 in value.

This was the largest outing ever held by the Cleveland association.

Vote to Help I. and P. Department

Denver.—More than 100 members of the Denver Credit Men's Association met September 7 to hear C. D. West, manager of the Investigation and Prosecution Department of the National Association of Credit Men, describe his department's work. Mr. West declared that his first object was to make credit grantors understand what they can do to help his department protect credit against unscrupulous men who are ever seeking to frame fraudulent bankruptcies. He pointed out the methods they commonly pursue, which every credit man should be trained to scent quickly. He cited the precautions credit grantors should take to make certain that, in case they find themselves outwitted, they can quickly furnish prosecuting officers with the kind of evidence necessary to prove fraud. The association passed a vote of confidence in the I. and P. department and promised to give every possible assistance in rounding up commercial crooks.

A resolution was adopted urging San Francisco as the convention city for 1921.

Notes on Europe

Detroit.—Frank R. Hamburger, secretary of the Detroit Credit Men's Association, who in June sailed for Europe to serve as delegate to the conference of the International Chamber of Commerce, is now at home, after a most successful trip during which he visited England, France, Belgium, Holland, Italy, Switzerland and several cities in Germany. In his latest letter to the "Monthly" he recounts particularly his observations in Italy, made just prior to the industrial revolution that has been occupying the attention of business men and the Government during the past few weeks. With other American delegates Mr. Hamburger was a guest of the Italian Government and American Chambers of Commerce in leading Italian cities. The attention of the visitors was especially attracted to the great hydro-electric power developments now under construction which, when completed, will free Italy, in large measure, from the handicap under which she has suffered because of lack of coal. Mr. Hamburger also calls attention to the work under way to reclaim thousands of acres of swamp waste and to make of it the most fertile lands in the peninsula.

An opportunity was had of visiting the farms of Belgium, then groaning with a record crop of foodstuffs, and also of visiting the ruined cities, Ypres and Nieupont, where thousands of men were busily clearing away the debris and with courage undaunted rebuilding stores and homes.

Holland, of course, was found to be a

land of plenty, though the thrifty tradesmen and restaurateurs saw to it that the "rich" Americans paid well for their comforts and good food.

Mr. Hamburger was particularly interested at the sessions of the International Chamber of Commerce in the establishment of an international bureau for the exchange of credit information, as also in a bureau to investigate the mischievous use of trade names.

Adjustment and Interchange

Grand Rapids.—Frank D. Blakely has been elected secretary of the Grand Rapids Association of Credit Men, and in addition has become manager of the adjustment and interchange bureaus of the association, succeeding Walter H. Brooks. The Grand Rapids market is one of much importance and members doing business there will do well to remember that they have an ably conducted adjustment and interchange bureau service at that point.

Annual "Jinks" and Business Meeting

Los Angeles.—The members of the Los Angeles Association of Credit Men, their wives and sweethearts made merry at the Virginia Hotel, Long Beach, California, at the annual "jinks" of the association. To say it was a great success is putting it mildly. About 300 members were present. Some of the early arrivals made the most of their opportunity and took a dip in the surf. Towards evening the Long Beach Municipal Band gave a concert on the beautiful grounds of the hotel.

After an excellent banquet dinner a short and snappy program was given. President Black made a few opening remarks, and introduced Mr. Acres, who welcomed the association to Long Beach and tendered them the key to the city. It was his desire that the Los Angeles Credit Men's Association have their annual "jinks" at Long Beach and make the Virginia Hotel their headquarters.

Secretary Ide made a short résumé of the year's work. He stated that nine meetings had been held; the largest attendance being 281 and the average 226. The membership numbers 867, which makes the Los Angeles Association the largest west of St. Louis. Several prizes were awarded for good work on the membership and entertainment committees. Mr. Fernholtz and Mr. Cattell were two of the recipients.

Mr. Couch outlined in brief what the local association stood for and explained the policy of the national association. He emphasized the importance of the local association and asked the enthusiastic support of all the members for the coming year.

At the November election, several referendum bills will be voted upon and Mr. Black urged the members to vote and work against the passage of the Community Property Act which, if enacted into law, will be so detrimental to credit interests. Mr. McComas further elaborated on the effect the law would have on credits and business in general.

As this meeting was the last one of

the out-going administration, President Black made a short talk thanking the members for their cooperation with him in making the year a successful one: He then introduced Mr. J. A. Cattell president elect who solicited the whole-hearted effort of all to make the association a still greater factor in the business life of the community.

During the program, a ladies' quartette gave some of the old time southern melodies which were appreciated by all. Dancing concluded the evening program and some of the "old timers" say it was one of the most enthusiastic and best annual "jinks" the association ever had.

Boteler a National Director

New York.—Willard Haff, of Wellington, Sears & Co., who was elected at the Atlantic City convention director of the National Association of Credit Men to represent the New York district, has resigned, and E. S. Boteler, president of the New York Credit Men's Association, has been appointed in his stead. Mr. Haff's retirement from the Board seemed to be necessary because of his removal to Boston where he joins the home staff of his company. He will be greatly missed from the councils of the New York association, for he has for several years been chairman of one of the most important committees, that on investigation and prosecution, and also a member of the executive committee.

New New York Officers

New York.—At the twenty-sixth annual meeting of the New York Credit Men's Association, held last month, changes were made in the constitution and by-laws calling for four instead of two vice-presidents and increasing the standing committees by the addition of a committee on Ways and Means, a forum committee and a bulletin committee. Officers elected for the ensuing year are:

President, H. C. Bainbridge, Jr., Chas. Bainbridge's Sons; First Vice-President, J. L. Medler, Atlas Portland Cement Co.; Vice-President, G. E. Chapin, Federal Reserve Bank; Vice-President, W. H. Pouch, Concrete Steel Co.; Vice-President, N. W. Adsit, New Jersey Zinc Co.; Treasurer, J. O. Hobby, Jr., American Locomotive Co.

The Board of the National Association being in session at the time of the meeting there was an interchange of telegrams of congratulations.

Value of a Purpose

Norfolk-Tidewater.—Henry G. Barbee of Harris Woodson, Barbee Co., president of the Norfolk-Tidewater Association of Credit Men, in a message to the members of his association, quotes the following from the American Exchange National Bank Journal: "Man's ability to fix a goal, to plan, is his supreme and also exclusive attribute. The lower animals can go where they have been before and can go where others have been, but man alone has the ability to enter uncharted space with a definite purpose, a fixed goal for a guide. The man who knows where he is going gets there. Others who never take the trouble to think about their destination travel in circles and wind up at the point from which they set out. Such men are prone to bewail their fate and to lay the blame upon the machinations of their more successful fellows, but they have only themselves to blame.

"All men are perhaps not equally equipped, do not share the planning ability in equal degree with the successful, or if they do they lack ambition, the incentive, to carry their plans into execution. A lack of ambition in one direction may be offset by an ambition in another direction, but there is no substitute for energy in getting things done. The men who plan and do not travel toward their goal are dreamers and are in a class with the men who, under the compelling force of innate energy, move in circles, but do not plan. These natures are tragic both as to their own fate and as to the fate of mankind at large. Co-ordinated, the two might rebuild the world; working independently they do much to upset it. Many more of us are capable of planning and of performance than are doing either. The trouble is that we do not know where we fall short. The man who has been traveling in a circle all of his life comes back to his starting point and becomes despondent. He always believed he was on his way up in the front ranks of the vanguard of progress and accomplishment, and his disillusionment when he discovers that he has been going around and around makes him a pessimist. Such a man wastes a great deal of energy. That is a pity! The world needs every ounce of energy that can be generated. Right now there are signs in this country that we are about to set out on a journey in a circle. We are going to circumnavigate an ideal that belongs to the past, tie our wagons to stars that are dead and shine no more. Ought we do it? We are traveling in a circle because we must move and have no definite goal in sight. Why should we thresh around in the world under the direction of men of infinite energy and no foresight, or under the leadership of men who dream and stand still, or go back? We need a board of economic directors that knows something about navigation, a leadership that can lay a course and follow it. We have a limited supply of this sort of ability, which has heretofore been devoted to the furtherance of individual ambitions; let's harness it to the carryall and all take a ride."

N. I. C. and Y. M. C. A.

Norfolk-Tide Water.—The Norfolk-Tide Water Association of Credit Men has announced the opening of a class for credit men which is to be conducted under the auspices of the association in the rooms of the Y. M. C. A. It will follow the plan of the National Institute of Credit. Alexander Creech, chairman of the committee, informed the association that twenty-one had already signed for class membership and that he felt certain twenty-five or thirty would be on the rolls by October first. The new plan has received the cordial backing of the entire association.

Is Liquidation Complete?

Pittsburgh.—An optimistic note was struck at the latest luncheon of the Pittsburgh Association of Credit Men in a round table discussion led by A. D. Sallee on the following subject: Liquidation—Is It Complete? The opinion leaned towards the affirmative. Following were some of the high spots brought out:

Estimated that 2,000,000 tons of iron and steel are tied up through railroad congestion in the hands of producers, thereby causing frozen credits.

Railroads should be able to restore efficiency because of returning men and the approach of a surplus of workers.

Since the armistice was signed 22,000,000 gross tons per annum of steel have been shipped. The best pre-war rate attained was 21,000,000 tons.

There will be no further radical slumps in wool, silk, cotton and the present financial system is panic proof.

Five thousand immigrants now arriving daily to relieve the labor shortage, a factor of significance that cannot be overlooked.

Stocks of retailers must be growing smaller. Fewer cancellations in many lines reported.

Increase in interest rates was advocated by Attorney A. Seder, to help real estate in particular.

Promotion for D. E. Crane

Pittsburgh.—D. E. Crane, formerly in charge of the credits of the Macbeth-Evans Glass Co., has become secretary-treasurer of the Owosso Sugar Company, Owosso, Michigan. The electrical industry recognizes that it has lost an unusually able member in surrendering Mr. Crane who has been an important factor both in the National Association of Credit Men and in electrical trade organizations.

I and P Department Plans

Portland.—More than a hundred credit men of Portland gathered at a luncheon to hear C. D. West, Manager of the Investigation and Prosecution Department of the National Association of Credit Men, outlined the plans for a country-wide net for commercial crooks constructed by the National Association with the assistance of the various active local associations. The Portland committee which conferred with Mr. West was headed by A. T. Schouboe, and included J. L. Talbot, R. W. Jamieson, F. B. Lewis and F. S. Pritchard.

Charges on Country Items

St. Louis.—The Chamber of Commerce of St. Louis and the clearing house of that city have been working out a plan to eliminate collection charges on country items. A new rule has been adopted which will mean the difference between the nominal charge of 6 per cent for the deferred credit on country items and an average charge of from \$1.00 to \$1.50 per \$100, the exchange charge under the present practice. The basis of the new system is an interest charge on time required to collect country checks.

Big Membership Increase

San Francisco.—The annual meeting of the San Francisco Association of Credit Men concluded an unusually successful year, as brought out in the report of C. E. Baen, of the Anglo-London-Paris National Bank, who has just retired from the office of president. There had been a heavy increase in membership, giving the organization a total of 659, principally wholesalers, manufacturers and bankers of the San Francisco market.

The officers elected for the year were, T. M. Earl, Nolan-Earl Shoe Co., president; E. C. Gayman, Sperry Flour Co., first vice president, Eugene D. Elkus, the Elkus Company, second vice president, W. B. Maxwell, Blake, Moffitt, and Towne, treasurer, and F. S. Jefferies, secretary.

There was an address by J. J. Walsh, of Tillman & Bendel, on "The Mercantile Agency Report as a Service to Credit Managers."

Overhead Charges in Prosperity and Reaction

By M. H. Howell

Assistant Cashier, Chase National Bank, New York

OVERHEAD charges rise slowly in the earlier part of a period of prosperity. When a factory is working on part time, it can be speeded up to full capacity with little, if any, increase in the salaries of officials, in rental of leased land or building, in interest on bonds, or in certain other items of overhead expense. Wages must increase as output increases; outlay for raw materials increases as output increases, and various other variable expenses increase. But a very substantial increase in output is possible with reviving business activity without any increase in overhead. When, however, expansion has reached a point where a new plant becomes necessary or where it becomes necessary to enlarge an existing plant, overhead charges increase sharply. When leases expire in the latter part of a prosperity period, they must ordinarily be renewed at greatly increased rentals. When bond issues mature late in the period of prosperity, it is usually necessary to renew them at a sharply increased rate of interest. In a prosperity period, too, the salaries of officials go up, though this almost always comes later than the advance in wages. It is usually much easier to reduce officials' salaries in the subsequent period of depression than it is to reduce wage rates, but it is less easy to dispense with unnecessary officials than it is to dispense with unnecessary laborers.

ACCOUNTING MAY INCREASE IN IMPORTANCE

When reaction comes, it is possible to curtail readily enough the purchases of raw materials and supplies, and to reduce the number of laborers employed. It is less easy to scale down wage rates, but, as a rule, this can be done to some extent. At the present time, business men will be well advised to let the cost of living go down first, and to protect wage scales as far as balance sheets will permit. It is impossible, however, to reduce the interest rates on existing bond issues until they mature; and, if long leases at high rentals have been entered into, they can be got out of only via the bankruptcy courts. Even a cold blooded

business policy has difficulty in reducing the number of officials or accounting force very greatly, since each official has specialized functions whether he is fully occupied or not, and since the problems of accounting may well become increasingly important in a period of slow collections and uncertainties regarding contracts. The fortunate business, which finds its leases expiring in a period of depression or which finds bond issues maturing when the money market has grown easier through business inactivity, can, of course, reduce its overhead very greatly. But there is no guaranty in any given business that this will take place. Of course officials' salaries can be reduced, short time leases can be given up, and short time bank loans can be paid off, thus reducing a part of the interest charge.

The item of overhead which, in the present situation, can most easily be reduced, is advertising. As a consequence of the Excess Profits Tax, there has been a very unusual amount of advertising, and the returns on this in very many cases have not been such as to justify its continuance when excess profits are being reduced, or are disappearing.*

PROSPERITY BREEDS INEFFICIENCY

The greatest relief when the end of a prosperity period brings shrinking profits, however, is not to be found chiefly in the reduction of overhead expenses. It is partly to be found in the shrinking prices of raw materials. It is partly to be found in the reduction in the labor force. This last resource, however, is not one which should be pursued far unless it is forced, since a general policy of this sort involves an intensification of depression. Moreover, business men should, and generally do, recognize a heavy responsibility to labor to keep unemployment at the minimum possible, and the value of keeping the good will of labor by doing everything possible to keep things going can hardly be overestimated. The better policy, wherever possible, is to meet the de-

clining market by making prices at which goods will move and at which the business can continue active, and to offset the lower prices by increased efficiency all along the line. There is an immense slack in efficiency at the crest of most periods of prosperity. Labor has grown inefficient because employment is easy and laborers know they can get a job across the street for the asking. Labor has grown inefficient, too, because of overtime work and of the weariness which overtime work involves. Labor has grown costly, moreover, partly through rising wages, partly through the extra price which must be paid for overtime work, and partly through the inefficiency already referred to.

Management has likewise, as a general rule, grown relatively inefficient at the height of the period of prosperity. Orders come in easily. Margins of profit are large. Management ceases to watch small waste. Rush orders make for confusion and waste. The overcrowding of railroad facilities leads to unavoidable wastes on the part of every business which deals with the railroads. A tightening up all along the line on the part both of labor and of management is thus possible when the reaction comes, and is very emphatically possible at the present time; this will enable us to turn out goods at markedly lower prices with a profit. The wide and even extravagant profits, which obtained during the war and in the post-armistice boom, must no longer be expected. We shall have to relearn the lesson of working on narrow margins and making our profits by watching details closely. But the lesson is a wholesome one, which American business men have learned in the past and may again be expected speedily to learn.

The net outcome of a policy of this sort will be the production of a larger volume of goods than at present at lower prices, which will make the "real income" (that is, income measured in the necessities and comforts of life) of the American people greater than before, even though money wages and money profits be smaller.

* Specialized magazines, like THE CREDIT MONTHLY, with a minimum of waste circulation, appeal to advertisers who have ceased extensive and are going in for intensive advertising.—The Editor.

The Psychology of Chart Making

Impending Disaster Transformed into Fruitful Victory by a Chart

By
Colonel Walter Dill Scott, Ph. D.

One of the most unusual and difficult fields for the application of charts is in that of handling men. However, several instances are at hand in which charts have been employed in personnel work and one is here presented.

During the early summer of 1918 recruits had been coming into our army camps in the U. S. at very irregular intervals but averaging about ten thousand daily.

The personnel system in France was one of the most complex and difficult that can be imagined.

The personnel work in the United States was planned to include the work in France and the failure to have the work thus co-ordinated with that in France was becoming more serious every day. In a further attempt to introduce an adequate system in the personnel work in France we sent Mr. C. who had shown unusual skill in overcoming opposition in various camps, and Mr. D. who possesses remarkable skill in analyzing difficult situations and making the whole thing clear by means of a chart. Mr. C. and Mr. D. soon comprehended the situation as one in which a complete and detailed presentation was required. Accordingly, Mr. D. prepared a chart and Mr. C. presented it to the officials concerned. Although it may seem complex and difficult to one unfamiliar with the situation it did not appear so to the authorities concerned. The following is a quotation from a letter of the General to whom the chart was presented:

"Mr. C., whom you know, is bringing to you a brief memorandum and a chart with reference to the handling of men from various sources of supply in France. I have gone over this with Mr. C. and the plan seems simple, practicable and feasible to me."

Here we have a striking instance where, in a critical situation impending failure was changed to success by means of a chart. When presented without a chart the system was regarded as "a beautiful theory which would not work out in practice." When presented with a chart it was regarded as "simple, practicable, and feasible."

The circular that tries to tell its story quickly and efficiently trusts to a chart and succeeds.

The public speaker uses a diagram to bring out convincingly essential facts and comparisons.

The scientist in his laboratory after carefully collecting his information prepares charts and curves to help him understand the Laws that he is studying.

Whenever we want to make an exceptionally forceful argument, whenever we want to get the vital comparison across, we are apt to take out a pencil and draw a chart.

Whenever we are puzzled by a confused mass of figures, whenever we want to get at the heart of a matter, we are glad to see a chart that gets down to fundamentals and explains away our uncertainty.

We all recognize that there is something about a chart that gives us a mastery over details. It seems to present a complex situation as a panorama with each detail in its place and the relations and interrelations orderly and definite.

We like charts because they give us power. There are reasons why charts have their universal appeal.

You and I and other people prefer charts to numbers, diagrams to discussions, not as

President of the Scott Company, of Philadelphia and Chicago, Consultants and Engineers in Industrial Personnel, and
Director of the Psychological Laboratory, Northwestern University.
Formerly Director of the Committee on Classification of Personnel in the Army.
Holder of the Distinguished Service Medal for his work in "originating, organizing, and putting into operation the system of classification of enlisted personnel now used in the United States Army."
Author of "Increasing Human Efficiency in Business;" "Psychology of Advertising;" "Psychology of Public Speaking;" "Theory of Advertising" and "Influencing Men in Business."

a matter of chance, but because of the universal way that minds behave.

There are psychological reasons why we can tell our story best by charts, and by a study of the psychological principles which lie back of a chart's efficiency, we can prepare even more efficient charts.

Chart making should be based on psychological principles, because charts are made in order to impress human minds.

What are the psychological reasons that make a chart effective?

What psychological principles should be recognized in chart making?

There are five things that a chart should be designed to do:—

1. An effective chart will attract and hold attention.
2. An effective chart will make itself understood.
3. An effective chart will make a place for itself in memory.
4. An effective chart will secure confidence in the facts which it portrays.
5. An effective chart will get action.

How the A. E. F. Chart Illustrated these Five Points

The chart removed the strain of *voluntary attention* under which General X had labored in the previous presentation because the rectangles and connecting lines provide, one after another, "a definite object to which voluntary attention can be easily directed." Moreover the chart was "an object which became more and more meaningful as the mind of General X reacts upon it." Every rectangle and every line was interpreted in terms of well known ideas. *Secondary attention* is thus aroused and maintained; the mind is thrown open to the chart's message.

The chart resulted in a better *understanding* on the part of both Mr. C. and General X. Mr. C. discovered "the illogical relationships in his plan" in that he had not satisfactorily adjusted the Personnel Center and the Statistical Center." He discovered "weak links in his chain of reasoning" in attempting to pattern the system abroad too much after that at home. The "additional data required to make a strong case" was the geographical location of the Personnel Center at Bourges with the available Artificers' Depot adjoining at Mehun. The chart appealed to the *understanding* of General X in that everything presented was readily interpreted as a practical system of organizing activities already

in operation or as innovations already recognized as desirable. It also aided his understanding in that it made clear how all the changes were related to themselves and related to the previous methods of carrying on the work which he had used.

As soon as General X had completed the study of the chart the plan was indelibly fixed in his *memory* because all the items had been interpreted in terms of his previous experience, i. e. it was "perceived in secondary attention" and furthermore, it was "brought into definite relationship with old ideas and old attitudes."

After General X had completed the study of the chart he had *confidence* in the plan for he realized that there was no attempt to "misrepresent the facts as they really are;" that there was no attempt to "exaggerate or to distort."

The chart resulted in immediate *action* by presenting the dominating idea in the mind "in the absence of conflicting ideas and tendencies" and by making presentation "pleasant and agreeable."

Even though the student of this lecture possesses the combined wisdom and tact of Messrs. A. and B. he should not fail to resort to a chart in attempting to comprehend and to present a difficult situation. Even though his audience be as difficult as the busy regular army officer and even though his proposition be as intangible and as complex as the personnel system of the A. E. F., by following the example of Messrs. C. and D. he may frequently transform impending disaster into fruitful victory.

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Note:—No one man is perhaps better equipped by actual experience to tell the true value of charting as a means for right thinking and for increasing one's earning power than Prof. Scott. Many people use charts but do not get the full value because they do not understand how to apply charts to business principles.

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Membership Campaign Trophy

AS reported in an earlier number of *THE CREDIT MONTHLY*, John H. Brennen, assistant cashier of the Atlantic National Bank, New York, won the trophy, here illustrated, offered by the National Association of Credit Men in last year's nation-wide drive for new members. The trophy was offered for obtaining the greatest number of new members in the United States, who must be well-rated, acceptable concerns. Mr. Brennen obtained one hundred and three, an exceptional achievement. He also won the New York City drive coincident with the national effort.

A Standard Invoice Form

THE Standardization Committee of the National Association of Purchasing Agents announces the holding of a conference October 9 at the Congress Hotel, Chicago, with a view to passing finally upon its recommendations regarding standardized invoice forms, on which subject it has been working for several years. The committee hopes that whoever has interest in the subject will be present at the conference, because if its recommendations are adopted by the National Association of Purchasing Agents in convention, there will be difficulty in effecting changes later. Any member of the National Association of Credit Men interested may secure samples of the three forms thus far developed by the committee by applying to one of its members, as follows: W. V. C. Bulkeley, Liberty Export & Import Corporation, 44th Floor, Woolworth Building, New York; H. Bucklin, Todd Protectograph Company, Rochester, N. Y.; Dr. F. W. Russe, Mallinckrodt Chemical Works, St. Louis, Mo.; G. H. Money, Federal Rubber Company, Cudahy, Wis.; W. L. Chandler, Dodge Sales & Engineering Company, Mishawaka, Ind.

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A Look Forward

By William Gregg

IN nearly all lines of business we entered the calendar year with unprecedented business on the books, and sales programs were on a scale far beyond anything ever before contemplated in the commercial history of the country. Those whose business experience was short talked rather boastfully of the insatiable demand for goods which expressed itself in a volume of orders beyond all possibility of filling within a reasonable time.

These orders actually on the books were to them a guarantee that one could look far ahead and see only high speed production and distribution.

Would not Europe, they asked, and even lands not immediately touched by war, demand goods that would bring us great business indefinitely?

Such a situation called for cool-headed leaders to keep men within safe bounds; for there were some men who could not appreciate that there could be danger when there was much forward business and a world crying for goods. Most men

saw nothing that could disturb them when collapse in Japan shook sympathetically one of our greatest industries; nor did they take seriously the problem of the rate of exchange which had become a factor so adverse against Europe as an importer. They were astonished, though they should not have been, to see these factors and other influences causing hesitation in this and that line of business.

And today with business in the midst of a lull in many lines, the question is, are we having merely a breathing spell between two periods of great business, or is it possible that we are not likely again soon to be speeding ahead under forced draught?

There are many things to be taken into consideration in a look forward. Our vast equipment for production, both in agriculture and manufacturing, is more than ever dependent upon liberal foreign demand. The world wants what we can supply, but can the world satisfy its wants at the costs now prevailing here? To satisfy these wants presumes the

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ability to pay for our products in a manner satisfactory to us. We must be paid either in gold,—which, by the way, we do not need and foreign nations do not wish to give up,—or in goods, the facilities to make which for export they must restore and for which also they must secure the raw materials, or in their securities, for which we have not as yet cultivated a taste.

The European nations have before them difficult problems whose solution is giving their leaders no little concern. Large numbers of men are still under arms, and battle lines have by no means entirely been withdrawn. There are most difficult political questions between nations, and fundamental economic uncertainties within states.

With resources greatly reduced, effort is to be made by the statesmen of each country to build up an intense spirit of work and frugality as the only method of maintaining national solvency. The rule will be to use what they have as a means of livelihood to the utmost. These are the tendencies necessitated by a greatly reduced state of resources. All of which but suggests that there are some reasons for uncertainty as to the volume of the demand we may expect from those who have been in the past our greatest foreign customers—the European nations.

Moreover, right here at home, reports are that there is a strong tendency to make the most of what one has. As men resolve to wear their clothes a few months longer and refrain from buying, so the railways, though promised largely increased income, are said to be adopting a policy of making the very most of their old rolling stock, whose progress to the scrap heap will be delayed as long as possible by extraordinary efforts in the repair shop.

All this is said as indicating that we may not, as some have declared, quickly return to forced draught business. But whether we do or not, there is to be large business, and it will be done the more safely and on a sounder basis because of the very changes that have come over business during the last few months.

The pace was getting too fast; it could not be sustained.

A B A Annual Meeting

THE dates of the American Bankers Association's annual meeting are October 20-22, at Washington, D. C. President Hawes has announced that it will be a convention devoted to discussions of the serious problems of to-day in business and finance.

ADDRESSES WANTED

How Many of These Addresses Can You Supply?

The credit man with a true spirit of co-operation reads the names of individuals whose addresses are unknown and sends along whatever information he has. "It is the little courtesies easiest to render that are often the most appreciated."

Improper business methods are not imputed to any of the persons mentioned below. It is simply that their addresses are missing.

Ault, C. C., formerly proprietor, Shamrock Tire & Rubber Co., Shamrock, Texas; reported moved to Wichita Falls, Texas.

Brandel, O. A., formerly connected with the B. & C. Electric Co., 207 Mercantile Place, Los Angeles, Cal.

Claybourne, W. H., formerly proprietor, Sanitary Market, 212 Lincoln Ave., McDonald, Pa.

Dasher, A., formerly of Jacksonville, Fla., and Chester, Pa.

David, E. L. & Co., formerly of Grand Ledge, Mich., and reported moved to Lansing, Mich.

Davis & Sons, Thibodeaux, La., recently discontinued business.

Defoe, Louis, formerly of Amarillo, Tex., and conducted business as the Amarillo Ice Cream Co. during 1917 and 1918.

Eagan, D. W., Crescent City, Fla.

Evans & Timberlake, formerly at 911 Offner St., Portsmouth, O.

Hall, R. B., previously of Grandfield, Okla. Supposed to have gone to Jackson, Tenn.

Hayes, Geo. J., former proprietor, Crumps Park Mfg. Co., Crumps Park, Ga.

Hubbard, S. J., formerly of Edwards, Miss.

Johnson, Henry David, and Charles Newton, formerly in contracting and grocery business, Newberry, S. C.

Kerschner, J., was at 130 W. 4th St., Long Beach, Cal.

King, J. L., formerly ran store at Jasper, Ala. Reported gone to Denver, Colo.

Lawrence, Jas. R., formerly of Greenville, S. C. Representing building materials.

Mazic, Louis, Moundsville, W. Va.

Missini, L., formerly in hay, grain and feed business, 808 Milton Ave., Chicago, Ill.

Osborne, J. E., formerly lessee Hotel Richmond, Batavia, N. Y.

Prall, Wm. W., last heard from Nov., 1918, at Maywood, Neb.

Sherman, H. W. Once operated Sherman Garage & Motor Repair Co., Lake Geneva, Wis. Now reported running a salesroom in Chicago.

Silver, H., formerly of 1157 23d St., Washington, D. C.

Smith-Blackhall Co., formerly at 32 E. 23d St., and previous to that at 24-26 E. 21st St., N. Y. We desire to locate either partner.

Thurston, Chas. T., formerly at 562 State St., Watertown, N. Y. Later deported traveling through Central New York; home address Clayton, N. Y.

Van Alstine, E. S., piano dealer, last known address, 209 N. Main St., Salisbury, N. C.

Vigneri, S., who operated Red Cross Pharmacy, 132 Willow Ave., Hoboken, N. J.

Wessels, W. F., ran Stuttgart Business College, Stuttgart, Ark., in fall of 1918. Reported moved to St. Louis, Mo., or some nearby place.

Williams, Geo. B., otherwise known as Jack Williams, late Captain in the 38th Inf., 3rd Division, A. E. F. Formerly lived at Washington, Pa.



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Developing Interchange of Ledger Experiences

By E. B. Moran

Manager, Central Credit Interchange Bureau, St. Louis, of the National Association of Credit Men

DURING recent years, many wholesale, manufacturing and banking houses have come to feel that, despite the excellence of the service rendered by the large mercantile agencies with their extensive organizations,—they nevertheless need that important, protective facility that comes from the interchange of ledger experiences among creditors who sell the same accounts.

Recognizing this, the National Association of Credit Men placed the responsibility upon the Credit Interchange Bureau Department of establishing a system whereby members interested in any account might freely and unreservedly interchange the facts contained in their ledgers, without the necessity of direct reference to each other and whereby, without divulging the information under their own name, they might receive in return for each experience or comment contributed by them, the combined experiences of others interested in the same account.

Obviously, the credit information assembled by these bureaus is of quite a different sort from that supplied by the mercantile agencies: the interchange of ledger and other credit experiences does not cover antecedents, financial statements, nor the dealer's character and reputation. Such an interchange system takes into consideration solely the sub-

ject's recent purchases and the manner of their payment.

Experienced credit managers express their belief that this form of information constitutes the most valuable basis for credit judgments at present available. They recognize that the record of the subject's purchases and payments, if sufficiently complete, affords more material for intelligent credit analysis than the combined record of antecedents, financial ratings and the opinion of agency reporters.

With about fifty offices or bureaus of the Association in the principal markets of the country, co-ordinated as to manner of operation, credit grantors have a source of information that assures an adequate and uninterrupted national inter-market clearance of credit experiences; and, with a Central Credit Interchange Bureau operated at St. Louis, such investigations are handled with the despatch required by a credit department in passing an account or order.

METHODS OF OPERATION

The first step is for each house that is a subscribing member of an Interchange Bureau to file a complete list of active customers. Each member is designated in the bureau by a number. A card is then made out in the bureau's office for each of the customers and is filed alphabetically. Upon each card are entered the numbers of the houses that report selling the dealer whose name the card bears. Thus, when an inquiry is received, as the clerk refers to the file and to the card of the dealer inquired about, he can tell at a glance what members are interested in the dealer in question. He knows, therefore, where information about the dealer may quickly be had, and he also knows what members in the local market will be interested in learning of any change, favorable or unfavorable, that may occur in the dealer's condition.

This method insures the elimination of the so-called inquiry or clearance sheet which is not now regarded as the scientific method of assembling information. For, instead of preparing a list of all inquiries received and sending it to each member to be checked, this improved manner of operation enables the bureau to prepare a form similar to the old subscriber's reply ticket, and to fill in the name and address of the dealer inquired

about. In this way, a co-operating member receives a ticket of inquiry only when the bureau's record shows his interest in the account; and that member has then only to insert a word on his experience and return the ticket to the bureau as promptly as possible, thereby enabling the local market to be thoroughly cleared in a few hours instead of several days. The furnishing of a list of customers is a necessary condition of participation in the bureau under the new plan of nationwide operation.

Coincident with the starting of local clearances, each office clears direct all other participating bureaus that are in the natural zone of direct purchasing interest of the dealer inquired about. The zone is that territory in which the majority of dealers concentrate the preponderance of their purchases. All zones are defined on a suitable map or chart. In this manner, each office to a partial degree becomes a central clearance office.

A further inquiry is referred to the Central Credit Interchange Bureau, operated at St. Louis, which has a record of all bureaus interested in each account that buys widely or outside of the natural zone of concentrated interest or purchasing of the trader inquired about. The Central Bureau, upon receipt of the inquiry, immediately notifies the interested offices of this pending inquiry and they in turn, following the local method of clearing previously described, obtain whatever information is available in their district and forward the resulting information direct to the original inquiring association office.

In this manner, the Central Bureau is not a bureau for tabulating reports, but rather for carrying records of the markets that are interested in various dealers inquired about. Inasmuch as the information is sent direct to the office to which the inquiring house belongs, no time and effort are lost in completing a clearance and the department is enabled to supply inquiring members with completed investigations on each market in a limited number of hours plus the time of mailing to and from the markets to be cleared.

The peculiar value of this information gathered and disseminated through the bureaus of the National Credit Men's Association, lies chiefly in the fact that such information is not based upon anybody's opinion or guess, as for example that of an agency reporter. Nor does it have any reference to what the subject may say about himself. Either or both of these reports may be at variance with existing conditions. Our bureau's report is a concise and uncolored record of actual transactions, made up wholly from the information furnished by members as a result of actual experiences at the time inquiries are made.

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The Foreign Credit Round Table

By L. R. Browne,

International Western Electric Co.

THE Foreign Credit Round Table, meetings of which have been held in New York for the past two winters, will hold its first meeting on Friday, October 15. This will mark the third successful year of the Foreign Credit Round Table's discussions and meetings. They have been marked by a continued growth of enthusiasm and popularity and from a small group of export managers amounting to not more than thirty-five, the attendance has been increased up to as high as eighty.

These meetings are no longer experimental, but are enthusiastic gatherings of men who are vitally interested in the discussion of problems affecting export credits and keenly desirous of absorbing all obtainable information on conditions of trade throughout the world.

The Committee having the meetings in charge, under Chairman O'Reilly, of the Irving National Bank, plans an enlarged scope, not only in membership but in the broadness of the subjects which are to be taken up for the ensuing series. The complex problems which surround

the granting of credits to merchants of other countries due to depreciation in exchange and political and commercial complications of almost every kind, render it more than usually imperative that export credit managers be fully advised by the best authorities obtainable and through closest conference and comparing of data. In this way only may they retain and cement relations already established, increasing their foreign commerce, and at the same time closely safeguard their own interests.

It is hoped that these sessions will enable credit managers generally who attend them to be able to fix definitely upon a credit policy which will accomplish the result so much desired.

The meetings will be addressed by men best equipped to discuss the subjects assigned to them. Members of the Round Table will be expected to bring to the meetings their problems for advice and discussion. Quizzes will, it is hoped, bring out additional facts of inestimable benefit to all. An added feature of the meetings for the ensuing winter will be the rotation of leaders of the various meetings. These leaders are to be selected from the membership.

The enthusiasm which has been a remarkable feature of the previous series will be sustained and there is every prospect that the success which has marked these meetings heretofore will be still further enhanced and their popularity continue to grow.

The meetings last year were addressed by authorities on China, South American countries, middle and eastern Europe and many subjects and problems were discussed. In view of the importance of the interests represented by the men attending the meetings there is practically no limit to the calibre of the men who can be secured to address the meetings and lead the discussions of the subjects assigned to them.

While nominally the Foreign Credit Round Table discussions are for credit managers in New York and vicinity, any member of the National Association of Credit Men who is interested in foreign credits and its problems is invited to attend and will be welcome.

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Red Cross on Firm Business Basis

The Annual Red Cross Roll Call

By *Rosa Crucian*

SENTIMENT is one thing; business is another. The two may be combined, but not mixed. Sentiment has its unquestioned place, and perhaps should have a greater one, but its bounds are not always definite nor are its foundations fixed. For that reason there is a special satisfaction to the Red Cross in laying before the consideration of business men the peacetime plans of the organization.

Though it is well known that sentiment must play a large part in the activities of a society whose aims are essentially humanitarian, it is not always recognized by those who do not understand the importance of sound business principles in every undertaking, that a large organization must establish not only its executive management, but its basis of sentimental action on solid business facts, before it is possible to carry out its purposes. In other words, a so-called "humanitarian" work must prove the efficiency of that "humanity" before thinking people can give the project their support.

The American Red Cross has a peacetime program to put into action. Its purpose is the prevention of disease in this country and the preservation of the public health. For the reasons to be stated it asks you to give your aid from a conviction of its efficiency, and not merely as a sentimental project.

In 1917 there were approximately 1,500,000 deaths in the United States. It is estimated that 630,000 were preventable.

Of every 1,000 men called for

service in the army, 468 were defective, and 333 unfit for service. One-half of the men rejected would have been strong and well if proper attention had been given to them in youth, and instruction in personal hygiene.

These figures prove that the high death rate and large percentage of disability is due to carelessness and neglect, principally attributable to **IGNORANCE OF FACTS.**

The Red Cross hopes to place so conspicuously before the public, in every branch of life, the causes, symptoms and treatments of disease, that no one may blame his physical or mental defects to ignorance.

On social conditions rests the industrial and commercial development of a country,—likewise its prosperity. Ill health and high mortality are two of the most potent factors of social unrest. The plant, the community, the country in which unremitting care is exercised for the improvement of health, has taken a distinct step on the road to social stability.

Does this brief summary convince you of the efficiency of the Red Cross program? If it does, please let your name appear on the 1921 list of American Red Cross members. The Roll Call will come from November 11 to 25.

A. B. C.

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Books, Pamphlets and Periodicals Read for the Credit Man

AGAIN "THE MIRACLE OF THE MARNE." Herbert S. Houston. Reprinted from the "World's Work" for September, 1920. Doubleday, Page & Co. 16 pp. Illus.

In this pamphlet a keen, first-hand observer vigorously refutes the accusation made this summer that France was "loafing on the job."

BASIC FACTORS THAT CONTROL PRICE MOVEMENTS. John C. Howell. Brookmire Economic Service, Inc., N. Y. 8 pp.

"Price movements are governed absolutely by the law of Supply and Demand, by the supplies of available consumable goods and the demand therefor. Supply of goods may be accurately gauged by a knowledge of the production of the mines, the fields and the forests, and the quantity of such materials passing through manufacturing processes. Demand for goods can always be measured by the amount of goods bought on government account, railroad and public utilities' use, building purposes, the activity or depression of retail trade, and the expansion or contraction of our exports which represent foreign buying. Bearing upon directly and affecting intimately both supply and demand we have public psychology, the condition of transportation facilities, financial, political and labor conditions."

THE BOOK OF BUSINESS. 5 vols. Edited by Samuel Crowther. P. F. Collier & Son Co. Each Vol., 192 pp. Illus.

Sixty-eight American business men contributed chapters to this remarkable set of books, the design of which is "to go below the petty detail and uncover 'why' anything is done." Brief biographies of the writers are supplied by Mr. Crowther. "The authors of these volumes are a very unusual group of men. They comprise the absolute leaders in most of the lines of American business endeavor and every one of them is an authority upon the subject he takes up. They have been painstaking in their efforts to present their own ideas of success in such terms that anyone can understand. It is a striking tribute to their community interest, to their public spirit, that these gentlemen have consented to reveal what ten years ago would have been called 'business secrets'—that they, one and all, take the larger view that there are no business secrets. They hold that when any man has done a thing well the result of his effort and the way he achieved that result are the property of the public and not of the individual." The following chapter titles and authors indicate to what authoritative sources the editor has gone for his material. "How to Get and Use Banking Credits," James B. Forgan; "The Fundamentals of Business," Elbert H. Gary; "The Banking System of the U. S.," W. P. G. Harding; "The Fundamental Economics of Business," George E. Roberts; "The Banker's Acceptance and the Discount Market," John E. Rovensky; "Foreign Credits and Customs," Francis H. Sisson; "When and How to Use Credit," Freas Brown Snyder; "The Credit Man and the Granting of Credit," J. H. Tregoe; "Constructive Credit Service," H. Uehlinger; "Business as a Science," John Wanamaker.

THE BUDGET AND RESPONSIBLE GOVERNMENT. Frederick A. Cleveland and Arthur Eugene Buck. Macmillan Co. 440 pp.

The authors call this "A description and interpretation of the struggle for responsible government in the United States, with special reference to recent changes in state Constitutions and statute Laws Providing for Administrative and Budget Reform." Dr. Cleveland favors Senator McCormick's budget bill. Ex-President Taft, however, who began the first serious propaganda for a national budget in 1912, and who contributes a nine-page introduction to the book, prefers the Good bill. The National Budget Committee holds that a combination of the best features of the two bills should be enacted into law. The author does not make his definite proposals without furnishing a complete history of the budget movement, both state and federal, in the United States. Although without an index, the book has an elaborate and useful table of contents.

[EDUCATE THE INDUSTRIAL MIND. Monthly Bulletin, September.] The Mechanics and Metals National Bank, N. Y.

"Economic laws always assert themselves in the long run, and we will see what a catastrophe has come upon a people, blindly driven by rulers who, at the time they killed the Czar, preached that each man was the equal of every other, who called for the downfall of the capitalistic system, and who violated all property rights. But in the meantime there will be only one way to treat the menace of Bolshevism, as it affects us. That is, to fight it whenever and wherever it appears, and so to broaden and educate the industrial mind of America that labor, with capital, will vigorously repel the danger. We want no desolation in America such as the Soviet regime has brought to Russia."

GENERAL CORPORATION LAW OF THE STATE OF RHODE ISLAND. (Effective July 1, 1920.) Industrial Trust Co., Providence. 72 pp.

Frank L. Hinkley, chairman of the commission on Revision of Corporation Laws, supplies an eight-page explanation and summary of the act.

LANGUAGE FOR MEN OF AFFAIRS: BUSINESS WRITING. James Melvin Lee, Editor. Ronald Press Co., 1920. 628 pp.

Edward Hale Gardner is the author of Part III of this book. Of his seven chapters there is one of sixteen pages on credit and collection letters which concludes with the following paragraph:

"The man who gets inside the envelope and journeys out to visit his customer with a friendly greeting and warm hand-clasp, stands a better chance of having his requests listened to than the man whose letters convey no impression of his personality. The reputation and wide influence of some of the foremost credit men in America have been secured in no small measure through their uncommon ability, gained in daily practice, to write good letters. They can talk to the customer with the same cordiality and interest as if he were seated beside the credit desk, and despite the handicap of distance they can reach a logical, constructive solution of their common problems."

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every large business concern where it can be consulted by the various executives, including the credit manager, who are responsible for the different classes of correspondence of the company.

The titles of other sections of the book are: "Essentials of Writing," "Reinforcement of Reading," "Report-Writing," "Advertising Copy" and the "Journalism of Business."

OIL, PAINT AND DRUG REPORTER. Weekly, N. Y.

W. A. Hover, of W. A. Hover & Co., Denver, a member of the Denver Association of Credit Men, not only a representative wholesale drug merchant but President of the U. S. National Bank of Denver, contributes to a recent issue of the Oil, Paint and Drug Reporter, under the title "Future in Wholesale Drugs," a study of conditions in that trade which is described by a well informed correspondent of the CREDIT MONTHLY as "the most timely and valuable bit of business counsel that has been uttered recently." In his article, Mr. Hover, who is Chairman of the Credits and Collections Committee of the National Wholesale Druggists Association, says:

"Undue expansion, at this time, is unwise. Merchantist stocks should be reduced to meet legitimate trade requirements, taking into consideration delays in transportation. Fixed contracts for future deliveries of merchandise should not be encouraged; credit should be closely scanned; delinquent customers should be urged, before it is too late, to reduce their balances; floating indebtedness should be reduced to the lowest possible minimum, consistent with necessary requirements."

THE NEW FRONTIER. A Study of the American Liberal Spirit, its Frontier Origin and its Application to Modern Problems. Guy Emerson. Henry Holt & Co. 326 pp.

A life-long student of American history and business, a past president of the National Association of Credit Men, said recently, "I believe that the genius of America is not business but pioneering." Mr. Emerson declares that the real shapers of America's destiny were, and are, liberal, rather than radical or conservative. He claims that "our national spirit has taken its essential liberal flavor from the frontier, from the generations of tireless, self-reliant effort which won this continent for the men and women of our own day and which stamped them

with its indelible character. This is the greatest source of self-confidence and power in the American tradition. It is the spirit which must inspire American leadership; it is also the spirit of the strong, clean, resourceful average man, with hope in his heart." A short and useful bibliography and an index add to the value of this eloquent book.

OUR LIVING LANGUAGE. How To Teach It And How To Use It. Howard R. Driggs, Prof. of Education in English, University of Utah, Salt Lake City. University Publishing Co. 297 pp.

Written out of a broad and deep experience in teaching English as a live rather than a dead language, this book is designed primarily for the teacher or for literary organizations. But it is valuable for anyone seeking to increase his command over that great instrument, the English language. Especially will such a man appreciate that part of the book devoted to "Building the Live Vocabulary," "The Slang Problem," and "Word Appreciation."

(REHABILITATION OF ELECTRIC RAILWAY CREDIT.) The Viewpoint. National Electrical Credit Association. 10 pp. article.

In the latest issue of "Viewpoint," the organ of the National Electrical Credit Association, appears an analysis of the electric railway situation by President J. H. Pardee, of the J. G. While Management. Mr. Pardee discusses the question whether there has been found in the motor vehicle a complete and satisfactory substitute for the municipal electric railway, and declares that if there has not, then the municipal welfare demands that the time has come to place these railways on a substantial basis such as will enable them to offer the public a solid investment for surplus capital. He points out that the time has long since passed when these railways offer a speculative opportunity. Mr. Pardee's treatment of the whole subject is masterly and should be read by all whose credits extend into the electric railway field.

THE SAVING HABIT. AND WHAT IT MEANS. J. M. Dinwiddie, Cedar Rapids Savings Bank, Cedar Rapids, Iowa. 8 pp.

As there is nothing demanding more sincere support than developing the savings habit, beginning with the Government and extending down to the smallest unit of the Nation, this well-thought out booklet, might well be used by savings banks throughout the country.

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THE CREDIT MONTHLY

SOME IMPORTANT AMENDMENTS TO NEW YORK STATE LAWS. The Equitable Trust Co. of N. Y. 66 pp.

This pamphlet is compiled for purposes of reference for banks, trust companies, and individuals in New York State who may be interested in a brief summary of the principal amendments to New York State laws made by the State Legislature which adjourned April 24, 1920.

WHAT IS THE COUNTRY'S CONDITION? Advertisement in N. Y. Times. September 21, 1920.

Report of the results of a questionnaire sent out by the Fidelity and Deposit Company of Maryland to their 900 representatives scattered throughout the country. Thirty-two fundamental questions on Industry, Agriculture, Finance and Politics are answered in this report. The answers are interpreted by Hon. Franklin K. Lane, former Secretary of the Interior.

Annual Outdoor Frolic

South Bend.—One of the most successful seasons the South Bend Association has had was brought to a close with its annual frolic. The stunts and sports planned by the committee were irresistible, it was especially hard to keep the number who took part in the baseball game down to the customary number on a side for everybody wanted a chance to swat at the ball and there were many three-bagger hits.

Gifts appropriate to South Bend were passed freely about, such as wrist watches and six cylinder Studebakers. Presentation speeches were made by L. W. Chandler.

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CREDIT MAN, OFFICE MANAGER and ACCOUNTANT, age 35, 15 years' experience with large corporation, desires connection with progressive enterprise in or near Philadelphia. Address, Advertisement 543.

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CREDIT ASSISTANT, experienced in foreign and domestic credit work, seeks permanent position with well established firm. Highest credentials. Address Advertisement 546.

SENIOR CREDIT INVESTIGATOR of large national bank seeks position offering better chance for advancement. Broad experience investigating commercial paper names and debtors in general. Understands accounting principles; experienced in statement analysis. Writes good letter. Well known to credit men in banks and trades. Age 30. Married. Salary commensurate with ability. References. Address advertisement 547.

Cancellations

Legal Liabilities of Buyer and Seller

By *W. Randolph Montgomery*

Counsel, National Association of Credit Men

IN these days when cancellations of orders are so frequent, a word regarding the legal liabilities of the buyer and seller may prove of value to members of the Association.

It should be understood first that a contract comes into existence when an offer to buy is made by one party and accepted by the other and that such a contract is not subject to revision or cancellation, except by mutual consent. A legally enforceable obligation to pay arises when the buyer orders a quantity of goods shipped and the seller either promises to ship them or actually ships them upon receipt of the order. The law does not impose an obligation upon the buyer to receive goods which he has purchased, but if the buyer elects to refuse to carry out his part of the bargain he must pay to the seller whatever damages the seller has sustained.

But let us suppose that the buyer orders a quantity of goods which are to be specially manufactured for him, and thereafter, while the goods are in the process of manufacture, notifies the seller that he repudiates the contract and will not accept the goods, the law thereupon places upon the seller the duty of refraining from taking any further steps which would increase the amount of damages for which the buyer has made himself liable. The seller cannot continue to manufacture if to do so will pile up damages against the buyer.

Where goods have been specially manufactured for the buyer and are not suitable for sale to any one else, the seller may hold the buyer for the full value of the manufactured articles. But if the goods are suitable for sale to another and can be disposed of, the amount of damages which the seller can collect is limited by the amount of loss which he has sustained after disposing of the goods at their fair market value at the time the contract was to have been performed.

Attention has been called to a situation arising from loose business methods resulting in a state of facts somewhat as follows: A salesman takes an order from a buyer, using the seller's form of order blank. This blank, duly signed by the buyer, is forwarded to the seller's office and the order accepted and the buyer notified. Thereafter the buyer con-

firms the order, using his own order blank which sets forth terms differing from those contained in the original order. Subsequently the goods are shipped. What are the rights and liabilities of the parties. The answer is clear that the original order having been accepted, is not subject to variation by the action of the buyer in forwarding his own confirmation. The seller has a right to insist upon the enforcement of the contract in accordance with its original terms; but if the confirmation differs so materially from the original order that it amounts to a repudiation thereof, the seller is clearly put upon notice that the buyer elects not to accept the goods on the terms originally agreed upon, and while the seller may still insist upon the performance of the contract under its original terms, he is nevertheless bound to refrain from taking any steps which will increase the damages to be paid by the buyer. Under such circumstances the only safe course for the seller to pursue is to notify immediately the buyer that the contract must be fulfilled as originally made or not at all, and that the terms of the confirmation are not acceptable, and that the seller will hold the buyer liable for breach of contract.

Banks and Business in Tune

IN an address delivered to Ohio credit men, Frank J. Zurlinden, assistant to the governor of the Federal Reserve Bank of Cleveland, said: "In music you know there are different pitches. When the Federal Reserve Act was passed and the Federal Reserve banks established, there was sounded a new financial pitch, clear and distinct. Each Federal Reserve bank was provided, as it were, with a tuning fork keyed to this pitch and to be sounded throughout the district, inviting banks and business to get in tune."

"Although this orchestra is large, it could use to advantage every good instrument in the country (every good eligible bank); and not until we have them tuned up and playing in this orchestra shall we reach the zenith of our possibilities. It is also necessary that business should be in tune; otherwise the banks, which cater to business, may become out of tune. Business to be in tune must be conservative yet progressive, and must make more use of the Federal Reserve pitch. No small part of the tuning up process of business is a proper and more general use of trade acceptances and bankers' acceptances where they are applicable. Our trouble since the signing of the armistice has been that the individual players, both banks and business, have been doing too much solo work."

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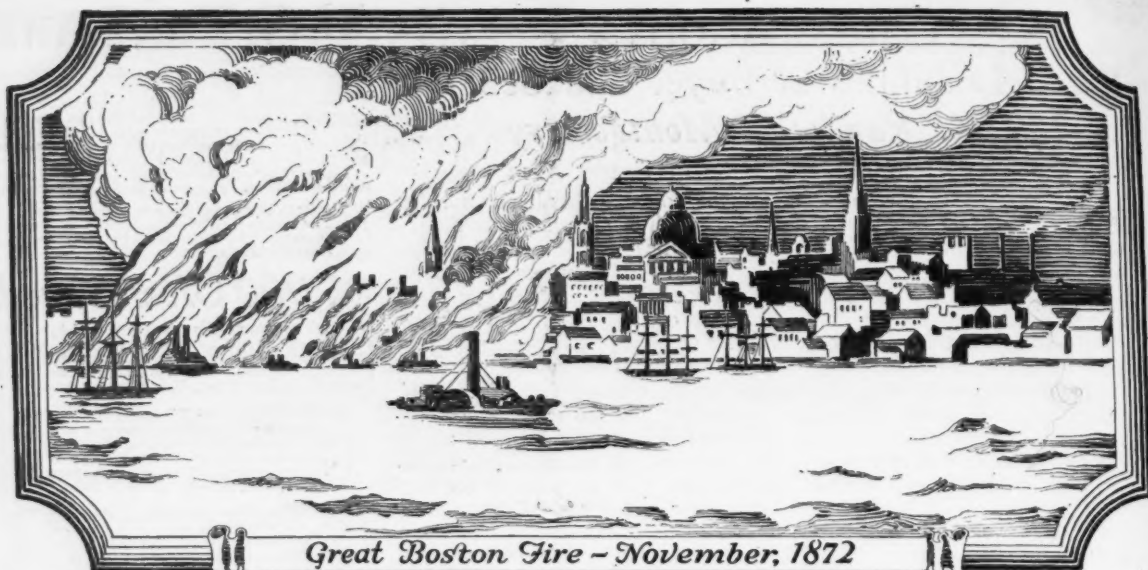
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